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FENNEMORE CRAIG
A Professional Corporation
Jay L. Shapiro (No. 014650)
2394 East Camelback Road, Suite 600
Phoenix, Arizona 85016
Telephone (602) 916-5000

Attorneys for Lago del Oro Water Company

ORIGINAL

BEFORE THE ARIZONA CORPORATION COMMISSION

IN THE MATTER OF THE APPLICATION
OF LAGO DEL ORO WATER COMPANY,
AN ARIZONA CORPORATION, FOR A
DETERMINATION OF THE FAIR VALUE
OF ITS UTILITY PLANTS AND
PROPERTY AND FOR INCREASES IN
ITS WATER RATES AND CHARGES FOR
UTILITY SERVICE BASED THEREON.

DOCKET NO: W-01944A-13-0215

NOTICE OF FILING REBUTTAL
TESTIMONY

Lago Del Oro Water Company (the "Company") hereby submits this Notice of Filing Rebuttal Testimony in the above-referenced matter. Specifically filed herewith are the Company's Rebuttal Testimonies, which include the following testimonies, along with supporting schedules and/or attachments:

1. Rebuttal Testimony of Ray L. Jones;
2. Rebuttal Testimony of Thomas J. Bourassa (Rate Base); and
3. Rebuttal Testimony of Thomas J. Bourassa (Cost of Capital).

RESPECTFULLY SUBMITTED this 18th day of February, 2014.

FENNEMORE CRAIG, P.C.

Arizona Corporation Commission

DOCKETED

FEB 18 2014

DOCKETED BY

By

Jay L. Shapiro
2394 East Camelback Road, Suite 600
Phoenix, Arizona 85016
Attorneys for Lago Del Oro Water
Company

1 ORIGINAL and thirteen (13) copies
2 of the foregoing were delivered
this 18th day of February, 2014, to:

3 Docket Control
4 Arizona Corporation Commission
1200 W. Washington St.
5 Phoenix, AZ 85007

6 COPY of the foregoing was emailed/mailed
this 18th day of February, 2014, to:

7 Jane Rodda, ALJ
8 Hearing Division
Arizona Corporation Commission
9 400 West Congress
Tucson, AZ 85701

10 COPY of the foregoing was hand-delivered
11 this 18th day of February, 2014, to:

12 Robin Mitchell, Esq.
Legal Division
13 Arizona Corporation Commission
1200 W. Washington St.
14 Phoenix, AZ 85007

15 By: 
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1 FENNEMORE CRAIG
2 A Professional Corporation
3 Jay L. Shapiro (No. 014650)
4 2394 East Camelback Road, Suite 600
5 Phoenix, Arizona 85016
6 Telephone (602) 916-5000
7 Attorneys for Lago del Oro Water Company

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17 UTILITY SERVICE BASED THEREON.

DOCKET NO: W-01944A-13-0215

18 **REBUTTAL TESTIMONY OF**
19 **RAY L. JONES**

20 **February 18, 2014**
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1 **I. INTRODUCTION AND PURPOSE OF TESTIMONY**

2 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

3 A. My name is Ray L. Jones, P.E. My business address is 25213 N. 49th Drive,
4 Phoenix, Arizona 85083.

5 **Q. ARE YOU THE SAME RAY L. JONES THAT FILED DIRECT**
6 **TESTIMONY IN THIS PROCEEDING?**

7 A. Yes.

8 **Q. HAS ANYTHING CHANGED WITH RESPECT TO YOUR**
9 **EMPLOYMENT OR RESPONSIBILITIES?**

10 A. No, I am still owner and principal of ARICOR Water Solutions LC, and I am
11 testifying on behalf of the Applicant Lago Del Oro Water Company ("LDO" or
12 "Company").

13 **Q. HAVE YOU REVIEWED THE DIRECT FILING MADE BY STAFF?**

14 A. Yes.

15 **Q. WHAT WILL YOU ADDRESS IN THIS REBUTTAL TESTIMONY?**

16 A. I will provide rebuttal testimony in response to the direct testimony of
17 Michael Thompson, P.E., including addressing LDO's compliance with Arizona
18 Department of Water Resources (ADWR) departmental requirements governing
19 water providers and/or community water systems and various recommendations
20 presented by Mr. Thompson.

21 **II. REBUTTAL TO DIRECT TESTIMONY OF MICHAEL THOMPSON, P.E.**

22 A. **Unregulated Contaminant Monitoring**

23 **Q. HAVE YOU REVIEWED MR. THOMPSON'S DISCUSSION OF**
24 **UNREGULATED CONTAMINANT MONITORING LDO IS REQUIRED**
25 **TO PERFORM IN 2014?**

26 A. Yes I have reviewed Mr. Thompson's presentation and am in agreement with his

1 assessment of the requirements of the Unregulated Contaminant Monitoring Rule 3
2 (UCMR 3) promulgated by the Environmental Protection Agency (EPA).

3 **Q. WHAT IS THE HISTORY AND PURPOSE OF UCMR 3?**

4 A. The following information summarized from the EPA's UCMR 3 website explains
5 the history and purpose of Unregulated Contaminant Monitoring Rules (UCMR),
6 including UCMR 3.

7 The 1996 Safe Drinking Water Act (SDWA) amendments require that once
8 every five years EPA issue a new list of no more than 30 unregulated contaminants
9 to be monitored by public water systems. The first Unregulated Contaminant
10 Monitoring Rule (UCMR 1) was published on September 17, 1999, the second
11 (UCMR 2) was published on January 4, 2007 and the third (UCMR 3) was
12 published on May 2, 2012. This monitoring provides a basis for future regulatory
13 actions to protect public health.

14 The UCMR program was developed to support analysis and review of
15 contaminant occurrence and to support the Administrator's determination of
16 whether to regulate a contaminant in the interest of protecting public health.

17 UCMR benefits the environment and public health by providing EPA and
18 other interested parties with scientifically valid data on the occurrence of
19 contaminants in drinking water, permitting assessment of the population being
20 exposed and the levels of exposure.

21 UCMR 3 builds on the established structure of UCMR 1 and 2, and makes
22 minor changes to improve the rule design. Per the cyclical nature of UCMR, a new
23 list of contaminants and analytical methods are defined.

1 Q. ARE THE COSTS TO BE INCURRED BY LDO UNDER THE UCMR 3
2 KNOWN AND MEASUREABLE?

3 A. Yes. As explained in Mr. Thompson's testimony, LDO's cost for the required
4 water testing is \$32,280 of which 92 percent is allocated to LDO with the
5 remaining 8 percent allocated to Ridgeview Utility Company.

6 Q. SHOULD THESE COSTS BE INCLUDED THE COMPANY'S REVENUE
7 REQUIREMENT IN THIS CASE?

8 A. Yes. The costs are known and measureable and attributable to an ongoing cyclical
9 regulatory requirement to sample unregulated contaminants for the purpose of
10 providing the EPA a basis for future regulatory actions to protect public health.

11 Q. HOW DOES LAGO PROPOSE TO RECOVER THE COSTS?

12 A. As further explained in the Rebuttal Testimony of Mr. Bourassa, LDO proposes to
13 normalize the costs over a five-year period consistent with the five-year UCMR
14 rule making cycle used by the EPA.¹

15 B. ADWR Compliance

16 Q. HAS LDO ADDRESSED THE ADWR COMPLIANCE MATTER NOTED
17 BY MR. THOMPSON?

18 A. Yes. The Company has submitted the Water System Plan required by ADWR and
19 ADWR has indicated that the Company is in compliance with respect to the Water
20 System Plan.

21 ...

22 ...

23 ...

24

25 ¹ Rebuttal Testimony of Thomas J. Bourassa – Rate Base, Income Statement and Rate
26 Design at 18.

1 C. Best Management Practices

2 Q. DOES STAFF MAKE A RECOMMENDATION REGARDING BEST
3 MANAGEMENT PRACTICES?

4 A. Yes, Staff recommends that the Company file at least seven (7) Best Management
5 Practices (BMPs) (five (5) currently implemented BMPs plus two (2) additional
6 BMPs) in the form of tariffs that substantially conform to the templates created by
7 Staff and available on the Commission's website.

8 Q. DOES LDO SUPPORT STAFF'S RECOMMENDATION?

9 A. No. Staff's recommendation is duplicative and excessive, taking the Company
10 beyond what is required by ADWR, the agency that regulates LDO's use of
11 groundwater. As detailed in my direct testimony, LDO does not have a lost water
12 problem and has a water conservation program as mandated by ADWR. LDO is
13 enrolled as a regulated Tier II municipal provider in the ADWR Modified Non Per
14 Capita Conservation Program (NPCCP). As a part of the NPCCP, LDO is required
15 to have a public education program and to implement five (5) BMPs in its service
16 area. LDO must file reports with ADWR on its water conservation efforts.

17 Q. IS THE COMPANY'S POSITION CONSISTENT WITH RECENT
18 COMMISSION DECISIONS?

19 A. Yes, it is. In Decision No. 73573 for LDO's sister company, Pima Utility
20 Company, The Commission found as follows:

21 Pima is located in the Phoenix Active Management Area
22 (AMA). The state's groundwater protection laws are already
23 in place and enforced by ADWR. We do not find duplicative
24 regulation to be in the public interest. We agree with Pima
25 and will not require the filing of BMPs.
26

1 More recently, in Decision No. 74294 dated January 29, 2014 for New River
2 Utility Company, the Commission again rejected Staff's BMP recommendation,
3 finding as follows:

4 New River is located in the Phoenix AMA. The state's
5 groundwater protection laws are already in place and
6 enforced by ADWR. We do not find duplicative regulation to
be in the public interest. We agree with New River and will
not require the filing of BMPs.

7 The Commission should do so again in this case.

8 **D. Water Sampling Schedule**

9 **Q. DOES STAFF MAKE A RECOMMENDATION REGARDING WATER**
10 **SAMPLING SCHEDULES?**

11 A. Yes. Staff recommends that LDO revise its Volatile Organic Compound (VOC)
12 and Radiochemical (RAD) sampling and testing schedules to conform to the
13 Arizona Department of Environmental Quality's (ADEQ) mandated schedule.

14 **Q. WHAT IS LDO RESPONSE TO THIS RECOMMENDATION?**

15 A. LDO is in agreement with Staff that its VOC and RAD sampling and testing should
16 conform to the schedule mandated by ADEQ. However, it is not necessary for
17 LDO to revise its VOC and RAD sampling and testing schedule because LDO
18 currently follows the ADEQ mandated schedule for all sampling including VOC
19 and RAD. LDO understands that it caused the confusion due to minor errors in the
20 sampling cost schedules provided in response to a Staff data request and apologizes
21 for the error.

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E. Other Matters

Q. ARE STAFF AND THE COMPANY IN AGREEMENT ON THE OTHER ISSUES AND RECOMMENDATIONS DISCUSSED IN MR. THOMPSON'S DIRECT TESTIMONY?

A. Yes. The Company is in agreement with Mr. Thompson's Conclusions Nos. 1, 2, 4, 5, 6, 7, 8, and 9 and Recommendations Nos. 1, 2 and 3.

Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?

A. Yes.

1 FENNEMORE CRAIG
A Professional Corporation
2 Jay L. Shapiro (No. 014650)
2394 East Camelback Road, Suite 600
3 Phoenix, Arizona 85016
Telephone (602) 916-5000

4 Attorneys for Lago del Oro Water Company
5
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DOCKET NO: W-01944A-13-0215

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16 **REBUTTAL TESTIMONY OF**
17 **THOMAS J. BOURASSA**
18 **RATE BASE, INCOME STATEMENT AND RATE DESIGN**

19 **February 18, 2014**
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1 **I. INTRODUCTION AND QUALIFICATION**

2 **Q. PLEASE STATE YOUR NAME AND ADDRESS.**

3 A. My name is Thomas J. Bourassa. My business address is 139 W. Wood Drive,
4 Phoenix, Arizona 85029.

5 **Q. ON WHOSE BEHALF ARE YOU TESTIFYING IN THIS PROCEEDING?**

6 A. I am testifying on behalf of the Lago Del Oro Water Company, ("LDO" or the
7 "Company").

8 **Q. HAVE YOU PREVIOUSLY SUBMITTED DIRECT TESTIMONY IN THE**
9 **INSTANT CASE?**

10 A. Yes, my direct testimony was submitted in support of the initial application in this
11 docket. There were two volumes, one addressing rate base, income statement and
12 rate design, and the other addressing cost of capital.

13 **Q. WHAT IS THE PURPOSE OF THIS REBUTTAL TESTIMONY?**

14 A. I will provide rebuttal testimony in response to the direct filing by Staff.
15 More specifically, this first volume of my rebuttal testimony relates to rate base,
16 income statement and rate design for LDO. In a second, separate volume of my
17 rebuttal testimony, I will present an update to the Company's requested cost of
18 capital as well as provide response to Staff on the cost of capital and rate of return
19 applied to the fair value rate base, and the determination of operating income.

20 **II. SUMMARY OF THE COMPANY'S REBUTTAL POSITION**

21 **Q. WHAT IS THE REVENUE INCREASE THE COMPANY IS PROPOSING**
22 **IN THIS REBUTTAL TESTIMONY?**

23 A. The Company proposes a total revenue requirement of \$3,030,491, which
24 constitutes an increase in revenues of \$1,148,253, or 61.00 percent over adjusted
25 test year revenues.

26

1 Q. HOW DOES THIS COMPARE WITH THE COMPANY'S DIRECT
2 FILING?

3 A. It is lower. In the direct filing, the Company requested a total revenue requirement
4 of \$3,075,271, which required an increase in revenues of \$1,193,033, or
5 63.38 percent.

6 Q. WHAT'S DIFFERENT?

7 A. In its rebuttal filing, LDO has adopted a number of rate base and revenue/expense
8 adjustments recommended by Staff, as well as proposed adjustments of its own.
9 The net result of these adjustments is that the Company's proposed operating
10 expenses have increased by \$51,368, from \$1,885,708 in the direct filing to
11 \$1,937,076. This includes a reduction of \$923,887 to rate base from the direct
12 filing of \$8,787,333 to \$7,363,846 due to a proposed change to accumulated
13 depreciation. I will explain this adjustment, which reflects a partial acceptance of
14 Staff's rate base adjustment #1 related the test year purchase of plant from an
15 affiliate to recognition and a corresponding change to accumulated deferred income
16 taxes.

17 In addition to the changes in revenue/expenses and rate base discussed
18 above, the Company's proposed return on rate base has increased from
19 8.65 percent to 8.79 percent. The Company proposed 8.79 percent reflects changes
20 in the proposed capital structure and proposed cost of debt which I discuss in my
21 rebuttal cost of capital testimony.

22 ...

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1 Q. WHAT ARE THE PROPOSED REVENUE REQUIREMENTS AND RATE
2 INCREASES FOR THE COMPANY AND STAFF AT THIS STAGE OF
3 THE PROCEEDING?

4 A. The proposed revenue requirements and proposed rate increases are as follows:

	<u>Revenue Requirement</u>	<u>Revenue Incr.</u>	<u>% Increase</u>
5 Company-Direct	\$3,075,271	\$1,193,033	63.38%
6 Staff	\$2,829,778	\$ 947,540	50.34%
7 Company-Rebuttal	\$3,030,491	\$1,148,253	61.00%

8
9
10 **III. RATE BASE**

11 Q. WOULD YOU PLEASE IDENTIFY THE PARTIES' RESPECTIVE RATE
12 BASE RECOMMENDATIONS?

13 A. Yes, the rate bases proposed by the Company and Staff are as follows:

	<u>OCRB</u>	<u>FVRB</u>
14 Company-Direct	\$ 8,787,333	\$ 8,787,333
15 Staff	\$ 7,342,962	\$ 7,342,962
16 Company Rebuttal	\$ 7,363,846	\$ 7,363,846

17
18 Q. WOULD YOU PLEASE DISCUSS THE COMPANY'S PROPOSED
19 ORIGINAL COST RATE BASE?

20 A. Yes. The Company's rebuttal rate base adjustments OCRB are detailed on rebuttal
21 schedules B-2, pages 3 through 7. Rebuttal Schedule B-2, page 1 and 2,
22 summarize the Company's proposed adjustments and the rebuttal OCRB.

23 ...

24 ...

25 ...

26

1 A. Plant-in-Service (PIS)

2 Q. WOULD YOU PLEASE DISCUSS THE COMPANY'S PROPOSED
3 REBUTTAL ADJUSTMENTS TO PLANT-IN-SERVICE AND IDENTIFY
4 ANY ADJUSTMENTS YOU HAVE ACCEPTED FROM STAFF?

5 A. The Company is not proposing any adjustments to PIS.

6 Q. PLEASE SUMMARIZE THE RECOMMENDED PIS BALANCES OF THE
7 PARTIES AND THE DIFFERENCES.

8 A. The Company recommends a PIS balance of \$18,200,198.¹ Staff recommends a
9 PIS balance of \$17,063,612,² a difference of \$1,136,587 compared to the
10 Company's recommended balance.

11 Q. WHAT IS THE REASON FOR THE DIFFERENCE?

12 A. The Company sought to book the plant it recently purchased on its books at the
13 purchased cost.³ Since no entity has ever taken depreciation, LDO thought this
14 was appropriate. Staff disagrees, asserting that a portion of the useful lives of the
15 plant items have expired, and that this loss of useful life must be recognized.
16 I cannot disagree that the plant items have lost some of their useful life because
17 they have been in service. But Staff has failed to recognize the loss of useful life
18 for ratemaking.

19 Q. PLEASE EXPLAIN.

20 A. The difference of \$1,136,687 represents the accumulated depreciation ("A/D") on
21 the plant purchased that would have been recorded had the plant been booked by
22 LDO at the time it was placed into service rather than the time LDO had purchased

23
24 ¹ See Rebuttal Schedule B-2, page 1.

25 ² See Staff Direct Schedule MJR W-3.

26 ³ See Application (Financing), filed July 10, 2013 in Docket No. W-01944A-13-0242,
at 2-3.

1 the plant.⁴ But Staff inexplicably reduces the original cost of this plant by the past
2 A/D.⁵ If we are going to claim that there has been a loss of useful lives, then we
3 need to recognize that loss. This is why the Company recommends a \$1,136,587
4 increase to A/D.

5 Actually, the Staff recommendation does not conform to the National
6 Association of Regulatory Commissioners Uniform System of Accounts ("NARUC
7 USOA") Accounting Instruction No. 21. NARUC USOA Accounting Instruction
8 No. 21, subsection B(1) requires that purchased plant be recorded at its original
9 cost and in the appropriate utility plant in service accounts. Subsection B(2) of
10 Accounting Instruction No. 21 requires the accumulated depreciation applicable to
11 the original cost be recorded in the appropriate account for accumulated
12 depreciation. But Staff did not record the original cost of the plant purchased nor
13 the applicable A/D on the original cost. Again, Staff can't have it both ways.
14 Either we need to recognize the loss of useful lives in ratemaking, or we need to
15 ignore it entirely and record the purchase price as the original cost.

16 Notably, however, following the requirements of NARUC USOA,
17 the Company's recommended plant balance, accumulated depreciation balance and
18 rate base will be in exactly the same position as if the assets had been purchased at
19 the time they were place into service. Further, it ensures the depreciation expense
20 calculated on a going forward basis reflects the true amount of depreciation and
21 remaining useful life of the plant in service.

22 **Q. CAN YOU ILLUSTRATE THIS WITH AN EXAMPLE?**

23 **A.** Yes. Assume the original cost of plant is \$100,000 with a 10 year useful life (10
24 percent depreciation rate or \$10,000 per year depreciation expense). Also assume

25 ⁴ Direct Testimony of Mary J. Rimback ("Rimback Dt.") at 10.

26 ⁵ *Id.* See also Staff Direct Schedule RJM-W-4, Adjustment No. 1.

the plant was placed into service 5 years earlier, which would imply an accumulated depreciation balance of \$45,000 (\$10,000 x 4.5 years using half-year convention). The remaining useful life is 5 years and one would expect depreciation recovery of the remaining cost of \$55,000 (100,000 - \$45,000) would be over 5 years (10 years - 5 years). Under the Company's approach, in Year 1 the original cost of \$100,000 would be recorded in PIS and \$45,000 would be recorded in A/D. The Company would depreciate the plant a rate of 10 percent per year or \$10,000 (\$100,000 times 10 percent).

Table 1 below illustrates the depreciation recovery under the Company's approach.

Table 1

<u>Year</u>	<u>LDO Approach</u>		<u>A/D</u>
	<u>Original Cost</u>	<u>Depreciation</u>	<u>Balance</u>
	\$ 100,000		\$ 45,000
1		\$ 10,000	\$ 55,000
2		\$ 10,000	\$ 65,000
3		\$ 10,000	\$ 75,000
4		\$ 10,000	\$ 85,000
5		\$ 10,000	\$ 95,000
6		\$ 5,000	\$ 100,000

As illustrated, the Company's approach ensures the depreciation recovery is over the remaining life.

Q. BUT WHY DOESN'T THE STAFF APPROACH PRODUCE THE SAME RESULTS?

A. Because the Staff approach effectively ignores the very loss of useful life Staff uses to reduce the purchase price. Staff says because it was "used" plant, we will reduce the purchase price. But for ratemaking, Staff treats the plant as if it were bought brand new at the reduced purchase price with a full remaining useful life of

new plant. As a result of this mismatch, the depreciation cost recovery period will exceed the true remaining life of the plant. I can illustrate using the previous example discusses on Page 5 of this testimony.

Under the Staff approach in Year 1, the Company would record \$55,000 (\$100,000 - \$45,000) of PIS and \$0 of A/D. The Company would depreciate the plant a rate of 10 percent per year or \$5,500 (\$55,000 times 10 percent). Table 2 below illustrates the depreciation recovery under the Staff approach:

Table 2

Staff Approach			
<u>Year</u>	<u>Original Cost</u>	<u>Depreciation</u>	<u>A/D Balance</u>
	\$ 55,000		\$ -
1		\$ 2,750	\$ 2,750
2		\$ 5,500	\$ 8,250
3		\$ 5,500	\$ 13,750
4		\$ 5,500	\$ 19,250
5		\$ 5,500	\$ 24,750
6		\$ 5,500	\$ 30,250
7		\$ 5,500	\$ 35,750
8		\$ 5,500	\$ 41,250
9		\$ 5,500	\$ 46,750
10		\$ 5,500	\$ 52,250
11		\$ 2,750	\$ 55,000

Under the Staff approach, the depreciation cost recovery is 5 years longer than the true remaining useful life of the plant.⁶ This approach violates the matching principle, which states that revenues and expenses should be recorded during the period in which the revenues are earned and the expenses are incurred. Under the

⁶ Staff could have but did not use special depreciation rates for the purchased plant in order to recognize that some of its useful life has been used up. Using the example, to recognize the plant has only 5 years of remaining life, the depreciation rate would need to be increased from 10 percent (100 percent divided by 10) to 20 percent (100 percent divided by 5).

Staff approach, the annual depreciation expense does not reflect the loss of economic life over the true remaining useful life of the plant, and, extends cost recovery well beyond the useful life and well beyond the revenue generating capacity of the plant. The true annual cost from depreciation is not properly matched with the annual revenues earned, which is a violation of the matching principle.

Q. DOES THE COMPANY RECOMMENDATION RESULT IN THE SAME NET BOOK VALUE OF PLANT AS RECOMMENDED BY STAFF?

A. Yes. The table below illustrates this:

Table 3

	<u>LDO</u>	<u>Staff</u>
PIS as filed	\$18,200,198	\$18,200,198
PIS Adjustment	<u>\$ 0</u>	<u>\$(1,136,587)</u>
Adjusted PIS	\$18,200,198	\$17,063,812
A/D as filed	\$(8,840,798)	\$(8,840,798)
A/D Adjustment	<u>\$(1,136,587)</u>	<u>\$ 0</u>
Adjusted A/D	<u>\$(9,977,386)</u>	<u>\$(8,840,798)</u>
Net Book Value	\$8,222,812	\$8,222,812

The Company's recommended \$1,136,587 increase to A/D rather than a reduction to PIS by the same amount results in the same rate base impact as the Staff recommendation, however it avoids the issues surrounding depreciation cost recovery discussed above.

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1 **B. Accumulated Depreciation (A/D)**

2 **Q. WOULD YOU PLEASE DISCUSS THE COMPANY'S PROPOSED**
3 **REBUTTAL ADJUSTMENTS TO ACCUMULATED DEPRECIATION**
4 **AND IDENTIFY ANY ADJUSTMENTS YOU HAVE ACCEPTED FROM**
5 **STAFF?**

6 A. Rebuttal B-2 Adjustment 2A as shown on Rebuttal Schedule B-2, page 4, adjusts
7 A/D by \$1,136,587, which reflects the additional accumulated depreciation on
8 plant purchased from an affiliate that would have been recorded had the plant been
9 booked by LDO at the time it was placed into service rather than the time LDO had
10 purchased the plant. I discussed the reasoning behind this above.

11 **Q. SO WHAT ARE THE RECOMMENDED A/D BALANCES OF THE**
12 **PARTIES?**

13 A. The Company recommends an A/D balance of \$9,977,386, while Staff
14 recommends an A/D balance of \$8,441,120, a difference of \$1,536,266.
15 The following summarizes the differences in the specific A/D adjustments between
16 Staff and the Company and illustrates the total difference in A/D of \$1,536,266:

17 **Table 4**

<u>Adjustment Description</u>	<u>Staff</u>	<u>Company</u>	<u>Difference</u>	<u>Staff Adj #</u>
1. Purchased Plant	\$ -	\$ 1,136,587	\$(1,136,587)	None
2. Purchased Plant Additional	(28,415)	0	(28,415)	#1
3. Fully Depreciated Plant	<u>(371,263)</u>	<u>0</u>	<u>(371,263)</u>	#2
Total	\$ (399,678)	\$ 1,136,587	\$(1,536,266)	

21
22 With regard to item 1 in Table 4, the Company is proposing an increase to
23 A/D of \$1,136,587 to reflect the additional accumulated depreciation as I discussed
24 in great detail above.

1 With regard to Item 2 in Table 4, Staff is recommending a reduction in A/D
2 on the plant purchased from an affiliate.⁷ The Company finds that no additional
3 depreciation adjustments need to be made for the purchase plant other than the
4 \$1,136,587 it recommends.

5 With regard to Item 3 in Table 4, Staff is recommending a reduction of
6 \$371,263 in A/D on plant Staff considers to be fully depreciated. The Company
7 disagrees with Staff's fully depreciated plant amounts as there are no fully
8 depreciated plant amounts under the Company's depreciation accounting except
9 those amounts that may have already been identified in its initial filing.⁸

10 **Q. PLEASE EXPLAIN.**

11 A. Staff uses a vintage group procedure⁹ when reconstructing the Company's A/D
12 balance.¹⁰ In contrast the Company uses a broad group procedure¹¹ and used a
13 broad group procedure in reconstructing its A/D balance. Both methods are
14 acceptable.¹² However, the broad group procedure is more commonly used.
15 Further, it is no less accurate than the vintage group procedure. Deloitte & Touche
16 states:

17
18
19
20
21 ⁷ See Staff Direct Schedule RJM-W4, Adjustment No. 1.

22 ⁸ See LDO Direct Schedule C-2, page 2. There are no fully depreciated plant amounts.

23 ⁹ Under the vintage group procedure each vintage or placement year within a particular
depreciation category is considered to be a separate group.

24 ¹⁰ Ascertained from a review of the Staff depreciation work papers.

25 ¹¹ Under the broad group procedure all units within a particular depreciation category are
considered to be one group.

26 ¹² *Public Utility Depreciation Practices*, National Association of Regulatory
Commissioners, August 1996, p 62.

1 The group concept has been an integral part of utility
2 depreciation accounting practice for many years. Though the
3 concept is applicable to non-regulated entities, it is not often
4 applied. Non-regulated entities tend to depreciate individual
5 property units independently. Under the group concept, no
6 attempt is made to keep track of the depreciation reserve
7 applicable to individual items of property. This does not
8 imply loss of control, but rather is a practical approach for
9 utilities because they possess millions of items of property...

10 ...Some regulators suggest that the reserve be recorded by
11 vintage when equal life group rates are used.
12 These suggestions are the result of confusion caused by the
13 use of the "group" in both the utility accounting concept and
14 in the name given to rate calculation procedures. Under the
15 group concept, mortality characteristics apply to the total
16 group, not to the specific components of the group. Therefore
17 suggestions for recording the reserve by vintage are
18 inconsistent with the group concept. *This recording would be
19 precise, but not accurate. (emphasis added)*¹³

20 **Q. DO YOU AGREE THAT IF A VINTAGE GROUP PROCEDURE IS USED**
21 **THE REQUIRED ADJUSTMENT TO ACCUMULATED DEPRECIATION**
22 **IS A DECREASE OF \$371,263?**

23 **A.** No. While this adjustment, if adopted, would increase the Company's rate base by
24 \$371,263, the Staff recommended adjustment is simply not correct. Let me
25 explain.

26 When Staff applied its vintage group procedure and recorded retirements
following the instructions set forth in NARUC USOA,¹⁴ it created stranded
negative accumulated depreciation amounts that were not depreciated (amortized).
The failure to amortize and recover the negative accumulated depreciation amounts

¹³ Deloitte & Touche LLP, et al. *Accounting for Public Utilities*. Lexis-Nexis (Matthew Bender & Co.) 2009, Sec. 6.04 ("Deloitte & Touche").

¹⁴ See NARUC USOA Accounting Instruction No. 27(B). Retirements are considered fully retired regardless of their age. The capital cost is removed from PIS and the same amount is removed from A/D.

1 results in an understatement of accumulated depreciation. It also illustrates one of
2 the pitfalls in the vintage group method. That said, when a provision is made to
3 amortize the negative A/D balances created by the Staff vintage group procedure,
4 the difference in Staff's computed A/D compared to the Company's A/D is
5 approximately \$99,000; about a 1 percent difference in the total A/D balance
6 between the Company and Staff.

7 **Q. SO, THE INCREASE TO ACCUMULATED DEPRECIATION SHOULD BE**
8 **ABOUT \$99,000 IF THE VINTAGE GROUP PROCEDURE IS USED TO**
9 **RECONSTRUCT THE A/D BALANCE?**

10 A. Yes. And, that would mean about a \$99,000 increase in the rate base.

11 **Q. IS STAFF RECOMMENDING THE COMPANY USE A VINTAGE GROUP**
12 **PROCEDURE FOR ITS DEPRECIATION ACCOUNTING?**

13 A. I did not find an explicit recommendation by Staff to use the vintage group
14 procedure for depreciation accounting. But, the implication is that the Company
15 use the vintage group procedure. Otherwise it will compute and record
16 depreciation expense on a going forward basis differently than how its depreciation
17 and A/D balance will be recomputed in the next rate case by Staff and potentially
18 the Company will need to make additional A/D adjustments in the future. This is
19 problematic because the Company will have to report the changes as prior period
20 adjustments in any future audited financial statements.

21 **Q. IS THE COMPANY OPPOSED TO USING THE VINTAGE GROUP**
22 **PROCEDURE?**

23 A. Yes. The Company opposes the use of the vintage group procedure for several
24 reasons. First, the broad group procedure is a widely used, acceptable, and
25 accurate means for computing depreciation and depreciation accounting. There is
26 no valid reason to change its depreciation accounting. Second, the broad group

1 procedure is the least administrative burdensome approach and requires the least
2 accounting records of annual additions and balances. Third, the use of the vintage
3 year group method introduces additional complexity into the depreciation
4 accounting without providing any corresponding improvement. This procedure
5 requires that each vintage group be analyzed separately to determine its average
6 life and would require separate depreciation rates for each group. Fourth, LDO is
7 part of the Robson family of companies which includes several utilities, most
8 notably Pima Utility Company, which recently completed a rate case in which Staff
9 supported the use of the broad group method.¹⁵ All of the Robson utilities use the
10 broad group procedure for depreciation accounting. There is no good reason to
11 make LDO different than the others. Fifth, the broad group procedure is more
12 consistent with the NARUC USOA regulatory accounting of retirements.¹⁶
13 The vintage group is prone to creating stranded negative accumulated depreciation
14 amounts that must be specially and specifically handled.

15 **C. Advances-in-Aid of Construction (AIAC)**

16 **Q. DO THE COMPANY AND STAFF AGREE ON THE AIAC BALANCE?**

17 A. Yes. Both are proposing AIAC balance of \$297,640.¹⁷

18 **D. Contributions-in-Aid of Construction (CIAC)**

19 **Q. WHAT ABOUT THE CIAC BALANCE?**

20 A. The Company is not proposing any adjustments to CIAC or accumulated
21 amortization (AA) and continues to propose CIAC and AA balances of \$852,693
22 and \$469,879, respectively. However, Staff is proposing CIAC and AA balances
23

24 ¹⁵ See Docket Nos. W-02199A-11-0329 and SW-02199A-11-330. Mr. Bourassa prepared
25 Pima Utility Company's reconstructed A/D balance using the broad group procedure.
26 There was no A/D depreciation issue in the Pima Utility Company rate case.

¹⁶ See NARUC USOA Accounting Instruction No. 27(B).

¹⁷ See Staff Direct Schedule RJM-W3.

1 of \$753,535 and \$282,997, respectively.¹⁸ The Staff recommended CIAC balance
2 is \$99,158 less than the \$852,693 the Company recommends.

3 **Q. CAN YOU EXPLAIN THE DIFFERENCE IN THE CIAC BALANCES?**

4 A. Staff's adjustment to CIAC is based upon applying a vintage group procedure to
5 the CIAC accounting. Staff removes \$99,158 of 1995 amounts from CIAC for
6 CIAC Staff considers to be fully amortized.¹⁹ Staff also removes \$99,158 of AA
7 related to fully amortized CIAC and another \$87,874 from AA (for a total AA
8 adjustment of \$186,682) based upon revised composite depreciation rates flowing
9 from Staff's vintage group procedure used by Staff in reconstructing the A/D
10 balance.²⁰ The Company disagrees with these adjustments primarily because the
11 Company uses the broad group procedure for CIAC and AA, which is consistent
12 with its depreciation accounting, which also uses the broad group method. There is
13 no unamortized CIAC using the broad group procedure. Additionally, because the
14 Company found the Staff vintage year group procedure and re-constructed A/D
15 balance to be incorrect (e.g., stranded negative A/D balances which were not
16 amortized as discussed on Page 11), the Staff revised composite depreciation rates
17 used to amortize CIAC and to reconstruct the AA balance is also incorrect.

18 **E. Accumulated Deferred Income Taxes (ADIT)**

19 **Q. PLEASE DISCUSS THE COMPANY PROPOSED REBUTTAL**
20 **ADJUSTMENT TO DEFERRED INCOME TAX.**

21 A. In rebuttal B-2 adjustment 5, as shown on Schedule B-2, page 2, the Company
22 proposes to reduce accumulated deferred income taxes ("ADIT") by \$212,724
23 from \$279,359 to \$66,635. The Company's recommended ADIT balance reflects
24

25 ¹⁸ See Staff Direct Schedule RJM-W3.

26 ¹⁹ Rimback Dt. at 12.

²⁰ Rimback Dt. at 11-12.

1 the Company's proposed rebuttal PIS, A/D, AIAC, and CIAC balances as well as a
2 revised tax basis.

3 **Q. WHAT IS THE REASON FOR THE TAX BASIS CHANGE?**

4 A. The tax basis changed because the Company is recommending a reduction in the
5 net book value of the assets purchased from an affiliate. For tax purposes, the tax
6 basis now equals the net book value of the purchased assets of about \$2.7 million
7 rather than the full original cost as the Company proposed in direct of about \$3.9
8 million. The tax basis also changes because the Company's bonus depreciation for
9 2012 was based upon the full original cost of the purchased plant of \$3.9 million.
10 Since the full original cost of the plant was reduced by \$1,136,587, the basis
11 reduction reflected in the ADIT computation is reduced by 50 percent or \$568,294
12 (\$1,136,587). The details of the rebuttal computation of ADIT are shown on
13 Schedule B-2, page 7.0 and 7.1.

14 **Q. DOES THE COMPANY'S ADIT COMPUTATION REFLECT A CHANGE**
15 **TO THE STATE INCOME TAX RATE?**

16 A. Yes. The Arizona state income tax rate employed of 6.5 percent, is the same as
17 used in the Company's income tax computations discussed later in my testimony.

18 **Q. DID STAFF PROPOSE AN ADJUSTMENT TO THE ACCUMULATED**
19 **DEFERRED INCOME TAX BALANCE?**

20 A. Yes. Staff recommends an ADIT balance of \$399,487 based upon its
21 recommended PIS, A/D, AIAC, and CIAC balances.²¹ Like the Company, Staff
22 reduced the tax basis of plant for its \$1,136,587 reduction to the book value of
23 purchased plant.²² However, Staff failed to account for the change in the bonus
24 depreciation deduction of \$568,294 discussed above. The failure to account for the

25 ²¹ See Staff Direct Schedule RJM-W3.

26 ²² See Staff Direct work papers.

1 change in the bonus depreciation deduction results in an overstated ADIT balance
2 (and rate base).

3 **Q. WHAT SHOULD THE STAFF ADIT BALANCE BE?**

4 A. Based on the correction to the tax basis for the bonus depreciation change and
5 assuming the staff recommended balances of PIS, A/D, CIAC and AIAC,
6 the ADIT balance should be \$163,688, not \$399,487. Staff's rate base should be
7 higher by \$235,799 (\$399,487 - \$163,688) or \$7,578,761, not the \$7,342,962
8 shown on Staff Direct Schedule RJM-W3.

9 **Q. ARE THERE ANY OTHER RATE BASE ISSUES BETWEEN THE**
10 **PARTIES?**

11 A. No.

12 **IV. INCOME STATEMENT (C SCHEDULES)**

13 A. **Overview**

14 **Q. WOULD YOU PLEASE DISCUSS THE COMPANY'S PROPOSED**
15 **ADJUSTMENTS TO REVENUES AND EXPENSES FOR THE WATER**
16 **DIVISION AND IDENTIFY ANY ADJUSTMENTS YOU HAVE**
17 **ACCEPTED FROM STAFF?**

18 A. The Company rebuttal adjustments to revenues and/or expenses are detailed on
19 Rebuttal Schedule C-2, pages 1-8. The rebuttal income statement with adjustments
20 is summarized on Rebuttal Schedule C-1, page 1-2.

21 Rebuttal adjustment 1 reflects the annualized depreciation and amortization
22 expense based on the Company proposed PIS and CIAC balances. The Staff
23 recommended depreciation and amortization expense level is lower primarily
24 because Staff is proposing to adjust PIS for fully depreciated plant based on a
25 vintage group procedure as I discussed in Section III.A above.

1 Rebuttal adjustment number 2 reflects property tax expense at the Company
2 rebuttal proposed revenue level. The Company proposes a reduction to property
3 taxes based upon a lower assessment ratio of 19 percent compared to its direct
4 filing of 20 percent. The Company is proposing an assessment ratio of 19 percent
5 because it reflects the recently passed House Bill 2001 ("H.B 2001"), which enacts
6 a known and measurable change commencing in 2014.

7 **Q. DOES STAFF RECOMMEND AN ASSESSMENT RATIO OF**
8 **19 PERCENT?**

9 A. Yes.²³

10 **Q. DO THE COMPANY AND STAFF AGREE ON THE METHODOLOGY**
11 **FOR COMPUTING PROPERTY TAXES?**

12 A. Yes.²⁴

13 **Q. ARE THE PARTIES USING THE SAME PROPERTY TAX RATES?**

14 A. Yes.²⁵

15 **Q. THANK YOU. PLEASE CONTINUE.**

16 A. Rebuttal adjustment number 3 reduced Contractual Services – Testing expense by
17 \$548. This adjustment reflects the adoption of the Staff proposed adjustment to
18 Contractual Services - Testing.²⁶

19 Rebuttal adjustment number 4 increases Contractual Services – Accounting
20 for annual audit costs of \$8,000. The Company will be required to prepare annual
21 financial audits as a condition of its proposed new debt. Therefore, this is a
22 necessary expense and the amount is known and measurable.

23
24 ²³ See Staff Direct Schedule RJM-W13.

25 ²⁴ Rimback Dt. at 13.

26 ²⁵ See Rebuttal Schedule C-2, page 3 and Staff Direct Schedule MJR-W13.

²⁶ Rimback Dt. at 13.

1 Rebuttal adjustment number 5 increases Contractual Services – Testing for
2 water testing costs it expects to incur as a result of cyclically mandated EPA testing
3 requirements for 2014. As pointed out by Mr. Thompson of the ACC Engineering
4 Staff at page 22 of his direct testimony, the mandated water testing costs are
5 expected to total \$32,280. LDO's allocated share of these costs is \$29,698 (32,280
6 x 92 percent). The Company proposes to recover this cost over 5 years, or \$5,940
7 annually. Staff does not propose a similar adjustment.

8 Rebuttal adjustment number 6 reflects interest synchronization of interest
9 expense based upon the Company proposed capital structure and cost of debt.

10 Adjustment 7 adjusts income taxes to reflect the Company proposed
11 adjusted test year revenues and expenses.

12 **Q. DOES THE COMPANY'S PROPOSED INCOME TAX EXPENSE**
13 **REFLECT THE REDUCTION IN THE STATE INCOME TAX RATE?**

14 A. Yes, the state income tax rate is reduced from 6.968 percent to 6.50 percent, which
15 is a reflection of the enacted H.B 2001's reduction to the income tax rate for 2014.

16 **Q. DOES STAFF PROPOSE A 6.5 PERCENT STATE INCOME TAX RATE?**

17 A. Yes.²⁷

18 **B. Remaining Revenue and Expense Issues**

19 **Q. ARE THERE ANY REMAINING REVENUE AND/OR EXPENSE ISSUES**
20 **BETWEEN THE PARTIES?**

21 A. No.

22 ...

23 ...

24 ...

25
26 ²⁷ See Staff Direct Schedule DWC-W2.

1 **V. RATE DESIGN (H SCHEDULES)**

2 **Q. WHAT ARE THE COMPANY'S PROPOSED RATES FOR WATER**
3 **SERVICE?**

4 **A. The Company's proposed rates are:**

5 **MONTHLY SERVICE CHARGES (All Classes except Golf Course Irrigation and**
6 **Construction/Hydrant)**

7	5/8" x 3/4" Meter	\$ 14.88
8	3/4" Meter	\$ 14.88
9	1" Meter	\$ 24.80
10	1 1/2" Meter	\$ 49.60
11	2" Meter	\$ 79.36
12	3" Meter	\$158.72
13	4" Meter	\$248.00
14	5" Meter	Remove
15	6" Meter	\$496.00
16	8" Meter	\$793.60

17 **MONTHLY SERVICE CHARGES (Golf Course Irrigation and**
18 **Construction/Hydrant)**

19	Golf Course Irrigation	\$200.00
20	Construction/Hydrant	\$0.00
21	Gallons in minimum (all classes, except golf course irrigation)	0
22	Gallons in minimum (golf course irrigation)	0

23 ...

24 ...

25 ...

26

1	COMMODITY RATES		
2	5/8"X3/4" Meter – Res.	1 to 4,000	\$ 1.80
3		4,001 to 10,000	\$ 2.98
4		Over 10,000	\$ 4.16
5	5/8"X3/4" Meter – Com., Irr.*	1 to 10,000	\$ 2.98
6		Over 10,000	\$ 4.16
7	3/4" Meter – Res.	1 to 4,000	\$ 1.80
8		4,001 to 10,000	\$ 2.98
9		Over 10,000	\$ 4.16
10	3/4" Meter – Com., Irr.*	1 to 10,000	\$ 2.98
11		Over 10,000	\$ 4.16
12	1" Meter – Res., Com., Irr. *	1 to 17,000	\$ 2.98
13		Over 17,000	\$ 4.16
14	1 1/2" Meter – Res., Com., Irr.*	1 to 34,000	\$ 2.98
15		Over 34,000	\$ 4.16
16	2" Meter – Res., Com., Irr.*	1 to 54,000	\$ 2.98
17		Over 54,000	\$ 4.16
18	3" Meter – Res., Com., Irr.*	1 to 107,000	\$ 2.98
19		Over 107,000	\$ 4.16
20	4" Meter – Res., Com., Irr.*	1 to 167,000	\$ 2.98
21		Over 167,000	\$ 4.16
22	6" Meter – Res., Com., Irr.*	1 to 334,000	\$ 2.98
23		Over 334,000	\$ 4.16
24	8" Meter – Res., Com., Irr.*	1 to 534,000	\$ 2.98
25		Over 534,000	\$ 4.16

26 *Except Golf Course Irrigation

1	Golf Course Irrigation	All gallons	\$ 0.85
2	Construction/Hydrant	All gallons	\$ 4.16

3

4 **Q. WHAT WILL BE THE AVERAGE 5/8X3/4 INCH METERED CUSTOMER**
 5 **AVERAGE MONTHLY BILL UNDER THE NEW RATES?**

6 A. As shown on Schedule H-2, page 1, the average monthly bill under proposed rates
 7 for a 5/8x3/4 inch metered customer using an average 7,047 gallons is \$31.15 –
 8 a \$9.66 increase over the present monthly bill or a 44.98 percent increase.

9 **Q. WHAT ARE THE DIFFERENCES IN RATE DESIGNS?**

10 A. While there are some differences in how the Company and the Staff rate designs
 11 recover the revenues through the monthly minimums and commodity rates,
 12 the differences are not major. Attached as **Rebuttal Exhibit TJB-RB1** are
 13 schedules showing the revenue recovery from the monthly minimums and the
 14 commodity rates under the Company and the Staff proposed rate designs.
 15 The percentage recovery from the monthly minimums for the Company and Staff
 16 are 40.76 percent and 41.28 percent, respectively. The percentage revenue
 17 recovery at the highest commodity rate is lower than Staff's. The Company's rate
 18 design recovers 13.23 percent at the highest commodity rate while the Staff rate
 19 design recovers 13.18 percent.

20 A. **Miscellaneous Charges**

21 **Q. ARE STAFF AND THE COMPANY IN AGREEMENT ON THE**
 22 **PROPOSED MISCELLANEOUS SERVICE CHARGES?**

23 A. Yes.

24

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1. Service Line and Meter Charges

Q. ARE STAFF AND THE COMPANY IN AGREEMENT ON THE PROPOSED SERVICE LINE AND METER INSTALLATION CHARGES?

A. Yes.

Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?

A. Yes.

EXHIBIT TJB-RB1

Lago Del Oro Water Company
Metered Revenue Breakdown Summary
Company Proposed Rates

Exhibit
Page 1

		Present Monthly Mins	Commodity First Tier	Commodity Second Tier	Commodity Third Tier	Total
5/8x3/4 Inch	Residential	\$ 1,077,967	\$ 447,269	\$ 507,608	\$ 381,270	\$ 2,414,114
3/4 Inch	Residential	20,713	8,471	11,629	17,307	58,120
1 Inch	Residential	15,475	13,959	6,612	-	36,046
1 1/2 Inch	Residential	1,190	1,652	156	-	2,999
2 Inch	Residential	9,523	4,028	2,766	-	16,318
Subtotal		\$ 1,124,868	\$ 475,380	\$ 528,771	\$ 398,577	\$ 2,527,597
		37.33%	15.78%	17.55%	13.23%	83.89%
5/8x3/4 Inch	Commercial	\$ -	\$ -	\$ -	\$ -	\$ -
3/4 Inch	Commercial	6,964	4,298	593	-	11,855
1 Inch	Commercial	4,762	3,673	44,663	-	53,097
1 1/2 Inch	Commercial	7,142	5,647	100	-	12,890
2 Inch	Commercial	20,951	26,694	34,566	-	82,210
3 Inch	Commercial	3,809	4,349	4,379	-	12,538
6 Inch	Commercial	23,808	18,367	30,410	-	72,585
Subtotal		\$ 67,436	\$ 63,029	\$ 114,710	\$ -	\$ 245,175
		2.24%	2.09%	3.81%	0.00%	8.14%
5/8x3/4 Inch	Irrigation	\$ -	\$ -	\$ -	\$ -	\$ -
3/4 Inch	Irrigation	1,607	1,433	753	-	3,793
1 Inch	Irrigation	1,190	1,207	1,772	-	4,170
1 1/2 Inch	Irrigation	595	194	-	-	789
2 Inch	Irrigation	20,951	25,289	28,993	-	75,232
3 Inch	Irrigation	3,809	4,006	513	-	8,329
4 Inch	Irrigation	2,976	130	-	-	3,106
Golf Course	Irrigation	4,800	137,432	-	-	142,232
Subtotal		\$ 35,929	\$ 169,690	\$ 32,031	\$ -	\$ 237,651
		1.19%	5.63%	1.06%	0.00%	7.89%
5/8x3/4 Inch	Construction	-	2,611	-	-	2,611
		0.00%	0.09%	0.00%	0.00%	0.09%
TOTALS		\$ 1,228,234	\$ 710,710	\$ 675,512	\$ 398,577	\$ 3,013,034
Percent of Total		40.76%	23.59%	22.42%	13.23%	100.00%
Cumulative %		40.76%	64.35%	86.77%	100.00%	

Lago Del Oro Water Company
Metered Revenue Breakdown Summary
Staff Proposed Rates

Exhibit
Page 2

		Present Monthly Mins	Commodity First Tier	Commodity Second Tier	Commodity Third Tier	Total
5/8x3/4 Inch	Residential	\$ 1,014,216	\$ 372,724	\$ 488,871	\$ 352,858	\$ 2,228,669
3/4 Inch	Residential	19,488	7,059	11,200	16,018	53,765
1 Inch	Residential	14,564	13,444	6,119	-	34,127
1 1/2 Inch	Residential	1,120	1,591	144	-	2,856
2 Inch	Residential	8,959	3,879	2,560	-	15,399
Subtotal		\$ 1,058,347	\$ 398,698	\$ 508,894	\$ 368,876	\$ 2,334,815
		37.80%	14.24%	18.18%	13.18%	83.39%
5/8x3/4 Inch	Commercial	\$ -	\$ -	\$ -	\$ -	\$ -
3/4 Inch	Commercial	6,552	4,140	549	-	11,240
1 Inch	Commercial	4,481	3,537	41,335	-	49,353
1 1/2 Inch	Commercial	6,719	5,439	92	-	12,250
2 Inch	Commercial	19,710	25,708	31,990	-	77,408
3 Inch	Commercial	3,584	4,189	4,053	-	11,826
6 Inch	Commercial	22,400	17,689	28,144	-	68,233
Subtotal		\$ 63,447	\$ 60,702	\$ 106,162	\$ -	\$ 230,311
		2.27%	2.17%	3.79%	0.00%	8.23%
5/8x3/4 Inch	Irrigation	\$ -	\$ -	\$ -	\$ -	\$ -
3/4 Inch	Irrigation	1,512	1,380	697	-	3,589
1 Inch	Irrigation	1,120	1,162	1,640	-	3,923
1 1/2 Inch	Irrigation	560	187	-	-	746
2 Inch	Irrigation	19,710	24,355	26,832	-	70,898
3 Inch	Irrigation	3,584	3,858	475	-	7,918
4 Inch	Irrigation	2,800	125	-	-	2,925
Golf Course	Irrigation	4,800	137,432	-	-	142,232
Subtotal		\$ 34,087	\$ 168,500	\$ 29,644	\$ -	\$ 232,231
		1.22%	6.02%	1.06%	0.00%	8.29%
5/8x3/4 Inch	Construction	-	2,417	-	-	2,417
		0.00%	0.09%	0.00%	0.00%	0.09%

TOTALS	\$ 1,155,881	\$ 630,317	\$ 644,700	\$ 368,876	\$ 2,799,774
Percent of Total	41.28%	22.51%	23.03%	13.18%	100.00%
Cummulative %	41.28%	63.80%	86.82%	100.00%	

RATE BASE SCHEDULES

Lago Del Oro Water Company
Test Year Ended December 31, 2012
Computation of Increase in Gross Revenue
Requirements As Adjusted

Exhibit
Rebuttal Schedule A-1
Page 1
Witness: Bourassa

Line

No.

1	Fair Value Rate Base	\$	7,363,846
2			
3	Adjusted Operating Income		(54,838)
4			
5	Current Rate of Return		-0.74%
6			
7	Required Operating Income	\$	647,208
8			
9	Required Rate of Return on Fair Value Rate Base		8.79%
10			
11	Operating Income Deficiency	\$	702,046
12			
13	Gross Revenue Conversion Factor		1.6356
14			
15	Increase in Gross Revenue Requirement	\$	1,148,253
16			
17	Adjusted Test Year Revenues	\$	1,882,238
18	Increase in Gross Revenue Requirement	\$	1,148,253
19	Proposed Revenue Requirement	\$	3,030,491
20	% Increase		61.00%
21			
22			

Customer Classification			Present Rates	Proposed Rates	Dollar Increase	Percent Increase
23						
24						
25	5/8x3/4 Inch	Residential	\$ 1,576,999	\$ 2,419,025	\$ 842,026	53.39%
26	3/4 Inch	Residential	35,011	57,126	22,114	63.16%
27	1 Inch	Residential	20,819	36,336	15,518	74.54%
28	1 1/2 Inch	Residential	1,651	2,999	1,348	81.61%
29	2 Inch	Residential	9,934	19,649	9,715	97.79%
30						
31	5/8x3/4 Inch	Commercial	\$ -	\$ -	\$ -	0.00%
32	3/4 Inch	Commercial	6,728	10,623	3,895	57.89%
33	1 Inch	Commercial	25,016	54,114	29,098	116.32%
34	1 1/2 Inch	Commercial	6,996	12,890	5,894	84.25%
35	2 Inch	Commercial	37,067	75,211	38,144	102.91%
36	3 Inch	Commercial	5,924	12,538	6,614	111.66%
37	6 Inch	Commercial	30,305	72,585	42,279	139.51%
38						
39	5/8x3/4 Inch	Irrigation	\$ -	\$ -	\$ -	0.00%
40	3/4 Inch	Irrigation	2,052	3,517	1,465	71.38%
41	1 Inch	Irrigation	1,370	2,559	1,189	86.79%
42	1 1/2 Inch	Irrigation	410	789	379	92.51%
43	2 Inch	Irrigation	37,490	75,232	37,743	100.67%
44	3 Inch	Irrigation	4,044	8,329	4,285	105.98%
45	4 Inch	Irrigation	1,047	3,106	2,059	196.71%
46	Golf Course	Irrigation	59,823	142,232	82,409	137.75%
47						
48	5/8x3/4 Inch	Construction	\$ 1,750	\$ 2,611	861	49.21%
49					-	0.00%
50	Revenue Annualization		\$ 386	\$ 1,563	1,177	305.15%
51	Subtotal		\$ 1,864,821	\$ 3,013,034	\$ 1,148,212	61.57%
52						
53	Other Water Revenues		\$ 17,117	\$ 17,117	-	0.00%
54	Reconciling Amount		299	340	41	13.71%
55	Rounding				-	0.00%
56	Total of Water Revenues		\$ 1,882,237	\$ 3,030,491	\$ 1,148,253	61.00%

SUPPORTING SCHEDULES:

B-1
C-1
C-3
H-1

Lago Del Oro Water Company
Test Year Ended December 31, 2012
Summary of Rate Base

Exhibit
Rebuttal Schedule B-1
Page 1
Witness: Bourassa

Line No.		Original Cost Rate base	Fair Value Rate Base
1			
2	Gross Utility Plant in Service	\$ 18,200,198	\$ 18,200,198
3	Less: Accumulated Depreciation	9,977,386	9,977,386
4			
5	Net Utility Plant in Service	\$ 8,222,812	\$ 8,222,812
6			
7	<u>Less:</u>		
8	Advances in Aid of Construction	297,640	297,640
9			
10	Contributions in Aid of Construction	852,693	852,693
11			
12	Accumulated Amortization of CIAC	(469,879)	(469,879)
13			
14	Customer Meter Deposits	111,854	111,854
15	Custmer Security Deposits	-	-
16	Accumulated Deferred Income Tax	66,658	66,658
17			
18			
19	<u>Plus:</u>		
20			
21	Deferred Regulatory Assets TCE Plume	-	-
22	Deferred Tax Assets	-	-
23	Allowance for Working Capital	-	-
24			
25			
26	Total Rate Base	\$ 7,363,846	\$ 7,363,846
27			
28			
29			
30			
31			
32			
33			
34			
35			
36			
37			
38			
39			
40			
41	<u>SUPPORTING SCHEDULES:</u>		
42	B-2		
43	B-3		
44	B-5		
45	E-1		
46			
47			
48			
49			
50			

Lago Del Oro Water Company
Test Year Ended December 31, 2012
Original Cost Rate Base Proforma Adjustments

Exhibit
Rebuttal Schedule B-2
Page 1
Witness: Bourassa

Line No.		Adjusted at End of Test Year	Proforma Adjustment	Proposed Adjusted at end of Test Year
1	Gross Utility			
2	Plant in Service	\$ 18,200,198	-	\$ 18,200,198
3				
4	Less:			
5	Accumulated			
6	Depreciation	8,840,798	1,136,588	9,977,386
7				
8				
9	Net Utility Plant			
10	in Service	\$ 9,359,400		\$ 8,222,812
11				
12	Less:			
13	Advances in Aid of			
14	Construction	297,640	-	297,640
15				
16	Contributions in Aid of			
17	Construction - Gross	852,693	-	852,693
18				
19	Accumulated Amortization of CIAC	(469,879)	-	(469,879)
20				
21	Customer Meter Deposits	111,854	-	111,854
22	Custmer Security Deposits	-	-	-
23	Accumulated Deferred Income Tax	279,359	(212,701)	66,658
24				-
25				-
26				
27	Plus:			
28				
29	Deferred Regulatory Assets TCE Plume	-		-
30	Prepayments	-		-
31	Materials and Supplies	-		-
32	Working capital	-	-	-
33				-
34				
35	Total	<u>\$ 8,287,733</u>		<u>\$ 7,363,846</u>

46 SUPPORTING SCHEDULES:
47 B-2, pages 2
48 E-1

RECAP SCHEDULES:
B-1

**Exhibit
Rebuttal Schedule B-2
Page 2
Witness: Bourassa**

RECAP SCHEDULES:
B-1

B-2, pages 3-5

41

Plant-in-Service											
		A		B		C		D		E	
		Intentionally Left Blank		Intentionally Left Blank		Adjustments to Reconcile Plant to Reconstruction		Intentionally Left Blank		Intentionally Left Blank	
		Adjusted Original Cost									Proposed Adjusted Original Cost
		\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Acct.	No.	Description									
	301	Organization Cost	-	-	-	-	-	-	-	-	-
	302	Franchise Cost	-	-	-	-	-	-	-	-	-
	303	Land and Land Rights	42,608	-	-	-	-	-	-	-	42,608
	304	Structures and Improvements	359,681	-	-	-	-	-	-	-	359,681
	305	Collecting and Impounding Res.	-	-	-	-	-	-	-	-	-
	306	Lake River and Other Intakes	-	-	-	-	-	-	-	-	-
	307	Wells and Springs	2,164,423	-	-	-	-	-	-	-	2,164,423
	308	Infiltration Galleries and Tunnels	-	-	-	-	-	-	-	-	-
	309	Supply Mains	-	-	-	-	-	-	-	-	-
	310	Power Generation Equipment	187,864	-	-	-	-	-	-	-	187,864
	311	Electric Pumping Equipment	3,585,660	-	-	-	-	-	-	-	3,585,660
	320	Water Treatment Equipment	-	-	-	-	-	-	-	-	-
	320.1	Water Treatment Plant	-	-	-	-	-	-	-	-	-
	320.2	Chemical Solution Feeders	24,640	-	-	-	-	-	-	-	24,640
	330	Dist. Reservoirs & Standpipe	-	-	-	-	-	-	-	-	-
	330.1	Storage tanks	1,758,175	-	-	-	-	-	-	-	1,758,175
	330.2	Pressure Tanks	321,969	-	-	-	-	-	-	-	321,969
	331	Trans. and Dist. Mains	6,083,805	-	-	-	-	-	-	-	6,083,805
	333	Services	1,888,741	-	-	-	-	-	-	-	1,888,741
	334	Meters	504,321	-	-	-	-	-	-	-	504,321
	335	Hydrants	718,857	-	-	-	-	-	-	-	718,857
	336	Backflow Prevention Devices	-	-	-	-	-	-	-	-	-
	339	Other Plant and Misc. Equip.	-	-	-	-	-	-	-	-	-
	340	Office Furniture and Fixtures	36,758	-	-	-	-	-	-	-	36,758
	340.1	Computers and Software	-	-	-	-	-	-	-	-	-
	341	Transportation Equipment	89,569	-	-	-	-	-	-	-	89,569
	342	Stores Equipment	-	-	-	-	-	-	-	-	-
	343	Tools and Work Equipment	-	-	-	-	-	-	-	-	-
	344	Laboratory Equipment	-	-	-	-	-	-	-	-	-
	345	Power Operated Equipment	55,787	-	-	-	-	-	-	-	55,787
	346	Communications Equipment	351,219	-	-	-	-	-	-	-	351,219
	347	Miscellaneous Equipment	26,122	-	-	-	-	-	-	-	26,122
	348	Other Tangible Plant	-	-	-	-	-	-	-	-	-
	39		-	-	-	-	-	-	-	-	-
	40		-	-	-	-	-	-	-	-	-
	41		-	-	-	-	-	-	-	-	-
	42	Adjusted Plant-in-Service per Direct	18,200,199	\$	-	\$	-	\$	-	\$	18,200,199
	43										
	44	Increase (decrease) in Plant-in-Service									
	45										
	46	Adjustment to Plant-in-Service									

Lago Del Oro Water Company
Test Year Ended December 31, 2012
Original Cost Rate Base Proforma Adjustments
Adjustment Number 1 - A

Exhibit
Rebuttal Schedule B-2
Page 3.1
Witness: Bourassa

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Lago Del Oro Water Company
Test Year Ended December 31, 2012
Original Cost Rate Base Proforma Adjustments
Adjustment Number 1 - B

Exhibit
Rebuttal Schedule B-2
Page 3.2
Witness: Bourassa

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Lago Del Oro Water Company
Test Year Ended December 31, 2012
Original Cost Rate Base Proforma Adjustments
Adjustment Number 1 - C

Exhibit
Rebuttal Schedule B-2
Page 3.3
Witness: Bourassa

Line
No.

Reconciliation of Plant to Plant Reconstruction

		Adjusted	B-2	Rebuttal	Plant	Proposed
	Acct.	Original		Adjusted	Per	Plant
	No. Description	Cost	Adjustments	Cost	Reconstruction	Adjustment
5	301	-	-	-	-	-
6	302	-	-	-	-	-
7	303	42,608	-	42,608	42,608	-
8	304	359,681	-	359,681	359,681	-
9	305	-	-	-	-	-
10	306	-	-	-	-	-
11	307	2,164,423	-	2,164,423	2,164,423	-
12	308	-	-	-	-	-
13	309	-	-	-	-	-
14	310	187,864	-	187,864	187,864	-
15	311	3,585,660	-	3,585,660	3,585,660	-
16	320	-	-	-	-	-
17	320.1	-	-	-	-	-
18	320.2	24,640	-	24,640	24,640	-
19	330	-	-	-	-	-
20	330.1	1,758,175	-	1,758,175	1,758,175	-
21	330.2	321,969	-	321,969	321,969	-
22	331	6,083,805	-	6,083,805	6,083,805	-
23	333	1,888,741	-	1,888,741	1,888,741	-
24	334	504,321	-	504,321	504,321	-
25	335	718,857	-	718,857	718,857	-
26	336	-	-	-	-	-
27	339	-	-	-	-	-
28	340	36,758	-	36,758	36,758	-
29	340.1	-	-	-	-	-
30	341	89,569	-	89,569	89,569	-
31	342	-	-	-	-	-
32	343	-	-	-	-	-
33	344	-	-	-	-	-
34	345	55,787	-	55,787	55,787	-
35	346	351,219	-	351,219	351,219	-
36	347	26,122	-	26,122	26,122	-
37	348	-	-	-	-	-
38	Plant Held for Future Use	-	-	-	-	-
39	TOTALS	\$ 18,200,199	\$ -	\$ 18,200,199	\$ 18,200,199	\$ -

SUPPORTING SCHEDULE

B-2, pages 3.1 through 3.2

B-2, pages 3.4 through 3.29

Lago Del Oro Water Company

Test Year Ended December 31, 2012

Reconciliation of Plant Additions, Retirements and Accumulated Depreciation

Exhibit

Schedule B-2

Page 3.4

Witness: Jones/Bourassa

		Per Decision No. 56464 - 04/26/1989				Current Books					
Line No.	NARUC Account No.	Description	Allowed Deprec. Rate	(1) Book Plant at 4/30/1988	(2) Dec. 56464 Adjust-ments	(3) Adjusted Plant at 4/30/1988 [1]+[2]	(4) Dec. 65134 Accum Depr 4/30/1988	(5) Net Plant 4/30/1988 [3]-[4]	(6) Book Plant at 4/30/1988	(7) Allocated Account Depr 4/30/1988	(8) Net Plant 4/30/1988 [6]-[7]
1	301	Organization Cost	0.00%	275	275	-	-	-	-	-	-
2	302	Franchise Cost	0.00%	-	-	-	-	-	-	-	-
3	303	Land and Land Rights	0.00%	3,200	3,200	3,200	-	-	3,200	-	3,200
4	304	Structures & Improvements	5.00%	-	-	-	-	-	-	-	-
5	305	Collecting & Impounding Reservoirs	5.00%	-	-	-	-	-	-	-	-
6	306	Lake, River, Canal Intakes	5.00%	-	-	-	-	-	-	-	-
7	307	Wells & Springs	5.00%	106,318	-	106,318	-	-	84,804	14,812	69,992
8	308	Infiltration Galleries	5.00%	-	-	-	-	-	-	-	-
9	309	Raw Water Supply Mains	5.00%	-	-	-	-	-	-	-	-
10	310	Power Generation Equipment	5.00%	-	-	-	-	-	-	-	-
11	311	Pumping Equipment	5.00%	220,818	-	220,818	-	-	164,378	28,711	135,667
12	320	Water Treatment Equipment	5.00%	-	-	-	-	-	-	-	-
13	320.1	Water Treatment Plants	5.00%	-	-	-	-	-	-	-	-
14	320.2	Solution Chemical Feeders	5.00%	-	-	-	-	-	-	-	-
15	330	Distribution Reservoirs & Standpipes	5.00%	116,880	-	116,880	-	-	-	-	-
16	330.1	Storage Tanks	5.00%	-	-	-	-	-	-	-	-
17	330.2	Pressure Tanks	5.00%	-	-	-	-	-	212,474	37,112	175,362
18	331	Transmission & Distribution Mains	5.00%	452,028	-	452,028	-	-	10,509	1,636	8,673
19	333	Services	5.00%	2,943	-	2,943	-	-	326,100	57,308	270,792
20	334	Meters	5.00%	25,131	-	25,131	-	-	90,890	15,875	75,015
21	335	Hydrants	5.00%	-	-	-	-	-	23,128	4,040	19,088
22	336	Backflow Prevention Devices	5.00%	-	-	-	-	-	28,000	4,891	23,109
23	339	Other Plant & Misc Equipment	5.00%	-	-	-	-	-	-	-	-
24	340	Office Furniture & Equipment	5.00%	1,240	-	1,240	-	-	5,227	913	4,314
25	340.1	Computers & Software	5.00%	-	-	-	-	-	-	-	-
26	341	Transportation Equipment	5.00%	-	-	-	-	-	-	-	-
27	342	Stores Equipment	5.00%	-	-	-	-	-	-	-	-
28	343	Tools, Shop & Garage Equipment	5.00%	-	-	-	-	-	-	-	-
29	344	Laboratory Equipment	5.00%	-	-	-	-	-	-	-	-
30	345	Power Operated Equipment	5.00%	-	-	-	-	-	1,165	203	962
31	346	Communication Equipment	5.00%	-	-	-	-	-	-	-	-
32	347	Miscellaneous Equipment	5.00%	-	-	-	-	-	2,200	384	1,816
33	348	Other Tangible Plant	5.00%	25,243	-	25,243	-	-	-	-	-
34											
35		TOTAL		954,074	-	954,074	186,065	767,989	954,075	186,065	767,990

¹ Book Plant at 4/20/1988 reallocated to expanded set of NARUC Plant accounts based on Current G/L.

Line No.		NARUC Account No.	Description	Allowed Deprec. Rate	[From 5-1-1988 through 12-31-1998]									
					Plant Additions	Plant Adjustments	Adjusted Plant Additions	Plant Retirements	Unbooked Plant Retirements	Depreciation (Calculated)	Salvage A/D Only	Plant Balance	Accum. Deprec.	Net Plant
1	301		Organization Cost	0.00%	-	-	-	-	-	-	-	-	-	-
2	302		Franchise Cost	0.00%	-	-	-	-	-	-	-	-	-	-
3	303		Land and Land Rights	0.00%	-	-	-	-	-	-	-	-	-	-
4	304		Structures & Improvements	5.00%	11,895	-	11,895	-	-	198	-	3,200	198	11,697
5	305		Collecting & Impounding Reservoirs	5.00%	-	-	-	-	-	-	-	-	-	-
6	306		Lake, River, Canal Intakes	5.00%	-	-	-	-	-	-	-	-	-	-
7	307		Wells & Springs	5.00%	-	-	-	-	-	2,827	-	64,804	17,539	67,165
8	308		Infiltration Galleries	5.00%	-	-	-	-	-	-	-	-	-	-
9	309		Raw Water Supply Mains	5.00%	-	-	-	-	-	-	-	-	-	-
10	310		Power Generation Equipment	5.00%	-	-	-	-	-	-	-	-	-	-
11	311		Pumping Equipment	5.00%	685	-	685	-	-	5,491	-	165,063	34,202	130,861
12	320		Water Treatment Equipment	5.00%	-	-	-	-	-	-	-	-	-	-
13	320.1		Water Treatment Plants	5.00%	-	-	-	-	-	20	-	1,212	20	1,192
14	320.2		Solution Chemical Feeders	5.00%	1,212	-	1,212	-	-	-	-	-	-	-
15	330		Distribution Reservoirs & Standpipes	5.00%	-	-	-	-	-	-	-	-	-	-
16	330.1		Storage Tanks	5.00%	-	-	-	-	-	-	-	-	-	-
17	330.2		Pressure Tanks	5.00%	-	-	-	-	-	-	-	-	-	-
18	331		Transmission & Distribution Mains	5.00%	77,666	-	77,666	-	-	7,082	-	212,474	44,194	188,280
19	333		Services	5.00%	32,530	-	32,530	-	-	350	-	10,509	2,186	8,323
20	334		Meters	5.00%	14,928	-	14,928	-	-	12,231	-	405,768	69,539	336,227
21	335		Hydrants	5.00%	32,327	-	32,327	-	-	3,572	-	123,420	19,447	103,973
22	338		Backflow Prevention Devices	5.00%	-	-	-	-	-	1,472	-	38,058	5,060	32,998
23	339		Other Plant & Misc Equipment	5.00%	-	-	-	-	-	-	-	-	-	-
24	340		Office Furniture & Equipment	5.00%	-	-	-	-	-	174	-	5,227	1,087	4,140
25	340.1		Computers & Software	5.00%	-	-	-	-	-	-	-	-	-	-
26	341		Transportation Equipment	5.00%	-	-	-	-	-	-	-	-	-	-
27	342		Stores Equipment	5.00%	-	-	-	-	-	-	-	-	-	-
28	343		Tools, Shop & Garage Equipment	5.00%	-	-	-	-	-	-	-	-	-	-
29	344		Laboratory Equipment	5.00%	-	-	-	-	-	-	-	-	-	-
30	345		Power Operated Equipment	5.00%	-	-	-	-	-	39	-	1,165	242	923
31	346		Communication Equipment	5.00%	-	-	-	-	-	-	-	-	-	-
32	347		Miscellaneous Equipment	5.00%	-	-	-	-	-	73	-	2,200	457	1,743
33	348		Other Tangible Plant	5.00%	-	-	-	-	-	-	-	-	-	-
34			TOTAL		171,243	-	171,243	-	-	34,550	-	1,125,318	200,635	924,683

[illegible]

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate	1990												
				Plant Additions	Plant Adjustments	Adjusted Plant Retirements	Unbooked Plant Retirements	Adjusted Plant Retirements	Salvage A/D Only	Depreciation (Calculated)	Plant Balance	Accum. Deprec.	Net Plant			
1	301	Organization Cost	0.00%	-	-	-	-	-	-	-	-	-	-	-	-	
2	302	Franchise Cost	0.00%	-	-	-	-	-	-	-	-	-	-	-	-	
3	303	Land and Land Rights	0.00%	-	-	-	-	-	-	-	-	3,200	-	3,200	3,200	
4	304	Structures & Improvements	5.00%	-	-	-	-	-	-	-	-	11,895	595	1,388	-	
5	305	Collecting & Impounding Reservoirs	5.00%	-	-	-	-	-	-	-	-	-	-	-	-	
6	306	Lake, River, Canal Intakes	5.00%	-	-	-	-	-	-	-	-	-	-	-	-	
7	307	Wells & Springs	5.00%	-	-	-	-	-	-	-	-	-	4,240	58,685	-	
8	308	Infiltration Galleries	5.00%	-	-	-	-	-	-	-	-	-	-	-	-	
9	309	Raw Water Supply Mains	5.00%	-	-	-	-	-	-	-	-	-	-	-	-	
10	310	Power Generation Equipment	5.00%	-	-	-	-	-	-	-	-	-	-	-	-	
11	311	Pumping Equipment	5.00%	1,055	-	1,055	-	-	-	-	-	-	-	-	-	
12	320	Water Treatment Equipment	5.00%	-	-	-	-	-	-	-	-	-	-	-	-	
13	320.1	Water Treatment Plants	5.00%	-	-	-	-	-	-	-	-	-	-	-	-	
14	320.2	Solution Chemical Feeders	5.00%	-	-	-	-	-	-	-	-	-	-	-	-	
15	330	Distribution Reservoirs & Standpipes	5.00%	-	-	-	-	-	-	-	-	-	8,280	115,383	-	
16	330.1	Storage Tanks	5.00%	7,071	-	7,071	-	-	-	-	-	-	-	-	-	
17	330.2	Pressure Tanks	5.00%	-	-	-	-	-	-	-	-	-	81	1,212	1,071	
18	331	Transmission & Distribution Mains	5.00%	-	-	-	-	-	-	-	-	-	10,872	65,876	157,084	
19	333	Services	5.00%	15,030	-	15,030	-	-	-	-	-	-	525	3,237	7,272	
20	334	Hydrants	5.00%	16,524	-	16,524	-	-	-	-	-	-	21,701	112,235	321,794	
21	335	Meters	5.00%	-	-	-	-	-	-	-	-	-	7,203	33,148	118,431	
22	336	Backflow Prevention Devices	5.00%	-	-	-	-	-	-	-	-	-	2,878	9,822	52,007	
23	339	Other Plant & Misc Equipment	5.00%	-	-	-	-	-	-	-	-	-	3,252	12,749	52,265	
24	340	Office Furniture & Equipment	5.00%	3,354	-	3,354	-	-	-	-	-	-	-	-	-	
25	340.1	Computers & Software	5.00%	-	-	-	-	-	-	-	-	-	-	-	-	
26	341	Transportation Equipment	5.00%	4,250	-	4,250	-	-	-	-	-	-	-	-	-	
27	342	Stores Equipment	5.00%	-	-	-	-	-	-	-	-	-	-	-	-	
28	343	Tools, Shop & Garage Equipment	5.00%	-	-	-	-	-	-	-	-	-	-	-	-	
29	344	Laboratory Equipment	5.00%	-	-	-	-	-	-	-	-	-	-	-	-	
30	345	Power Operated Equipment	5.00%	-	-	-	-	-	-	-	-	-	58	1,165	807	
31	346	Communication Equipment	5.00%	-	-	-	-	-	-	-	-	-	-	-	-	
32	347	Miscellaneous Equipment	5.00%	-	-	-	-	-	-	-	-	-	110	2,200	677	
33	348	Other Tangible Plant	5.00%	-	-	-	-	-	-	-	-	-	-	-	-	
34		TOTAL		47,284	-	47,284	-	-	-	-	-	-	60,141	1,229,683	318,308	911,354

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate	1991									
				Plant Additions	Plant Adjustments	Adjusted Additions	Plant Retirements	Unbooked Plant Retirements	Adjusted Plant Retirements	Salvage A/O Only	Deprecation (Calculated)	Plant Balance	Accum. Deprec.
1	301	Organization Cost	0.00%	-	-	-	-	-	-	-	-	-	-
2	302	Franchise Cost	0.00%	-	-	-	-	-	-	-	-	-	-
3	303	Land and Land Rights	0.00%	-	-	-	-	-	-	3,200	-	3,200	3,200
4	304	Structures & Improvements	3.00%	-	-	-	-	-	-	595	11,895	1,983	9,913
5	305	Collecting & Impounding Reservoirs	3.00%	-	-	-	-	-	-	-	-	-	-
6	306	Lake, River, Canal Intakes	5.00%	-	-	-	-	-	-	-	-	-	-
7	307	Wells & Springs	5.00%	-	-	-	-	-	-	4,240	84,804	30,359	54,445
8	308	Infiltration Galleries	5.00%	-	-	-	-	-	-	-	-	-	-
9	309	Raw Water Supply Mains	5.00%	-	-	-	-	-	-	-	-	-	-
10	310	Power Generation Equipment	5.00%	-	-	-	-	-	-	-	-	-	-
11	311	Pumping Equipment	5.00%	1,598	-	1,598	-	-	-	-	-	-	-
12	320	Water Treatment Equipment	5.00%	-	-	-	-	-	-	-	-	-	-
13	320.1	Water Treatment Plants	5.00%	-	-	-	-	-	-	-	-	-	-
14	320.2	Solution Chemical Feeders	5.00%	-	-	-	-	-	-	-	-	-	-
15	330	Distribution Reservoirs & Standpipes	5.00%	-	-	-	-	-	-	-	-	-	-
16	330.1	Storage Tanks	5.00%	-	-	-	-	-	-	-	-	-	-
17	330.2	Pressure Tanks	5.00%	-	-	-	-	-	-	-	-	-	-
18	331	Transmission & Distribution Mains	5.00%	1,149	-	1,149	-	-	-	-	-	-	-
19	333	Services	5.00%	17,125	-	17,125	-	-	-	-	-	-	-
20	334	Meters	5.00%	9,268	-	9,268	-	-	-	-	-	-	-
21	335	Hydrants	5.00%	-	-	-	-	-	-	-	-	-	-
22	336	Backflow Prevention Devices	5.00%	-	-	-	-	-	-	-	-	-	-
23	339	Other Plant & Misc Equipment	5.00%	-	-	-	-	-	-	444	8,878	2,180	6,718
24	340	Office Furniture & Equipment	5.00%	-	-	-	-	-	-	213	4,250	318	3,931
25	340.1	Computers & Software	5.00%	-	-	-	-	-	-	-	-	-	-
26	341	Transportation Equipment	5.00%	-	-	-	-	-	-	-	-	-	-
27	342	Stores Equipment	5.00%	-	-	-	-	-	-	-	-	-	-
28	343	Tools, Shop & Garage Equipment	5.00%	-	-	-	-	-	-	-	-	-	-
29	344	Laboratory Equipment	5.00%	-	-	-	-	-	-	-	-	-	-
30	345	Power Operated Equipment	5.00%	-	-	-	-	-	-	58	1,165	417	748
31	346	Communication Equipment	5.00%	-	-	-	-	-	-	-	-	-	-
32	347	Miscellaneous Equipment	5.00%	-	-	-	-	-	-	110	2,200	787	1,413
33	348	Other Tangible Plant	5.00%	-	-	-	-	-	-	-	-	-	-
34				29,140	-	29,140	-	-	-	62,052	1,258,803	380,360	878,443
35		TOTAL											

1992													
NAFUC Account Line No.	Description	Allowed Deprec. Rate	Plant Additions	Plant Adjustments	Adjusted Plant Additions	Plant Retirements	Unbooked Plant Retirements	Adjusted Plant Retirements	Salvage A/D Only	Deprecation (Calculated)	Plant Balance	Accum. Deprec.	Net Plant
1	Organization Cost	0.00%	-	-	-	-	-	-	-	-	-	-	-
2	Franchise Cost	0.00%	-	-	-	-	-	-	-	-	-	-	-
3	Land and Land Rights	0.00%	-	-	-	-	-	-	-	-	-	-	-
4	Structures & Improvements	5.00%	39,408	-	39,408	-	-	-	-	585	42,608	2,577	42,608
5	Collecting & Impounding Reservoirs	5.00%	-	-	-	-	-	-	-	-	11,895	-	9,318
6	Lake, River, Canal Intakes	5.00%	-	-	-	-	-	-	-	-	-	-	-
7	Wells & Springs	5.00%	64,993	-	64,993	-	-	-	-	5,865	148,797	36,224	113,573
8	Infiltration Galleries	5.00%	-	-	-	-	-	-	-	-	-	-	-
9	Raw Water Supply Mains	5.00%	-	-	-	-	-	-	-	-	-	-	-
10	Power Generation Equipment	5.00%	-	-	-	-	-	-	-	-	-	-	-
11	Pumping Equipment	5.00%	-	-	-	-	-	-	-	-	-	-	-
12	Water Treatment Equipment	5.00%	-	-	-	-	-	-	-	-	-	-	-
13	Water Treatment Plants	5.00%	-	-	-	-	-	-	-	-	-	-	-
14	Solution Chemical Feeders	5.00%	-	-	-	-	-	-	-	-	-	-	-
15	Distribution Reservoirs & Standpipes	5.00%	-	-	-	-	-	-	-	8,386	187,716	87,468	100,250
16	Storage Tanks	5.00%	-	-	-	-	-	-	-	-	-	-	-
17	Pressure Tanks	5.00%	-	-	-	-	-	-	-	-	1,212	283	949
18	Transmission & Distribution Mains	5.00%	370,040	-	370,040	-	-	-	-	11,149	222,970	88,173	134,797
19	Services	5.00%	78,350	-	78,350	-	-	-	-	525	10,509	4,288	6,221
20	Meters	5.00%	8,927	-	8,927	-	-	-	-	31,010	805,218	164,242	840,242
21	Hydrants	5.00%	83,000	-	83,000	-	-	-	-	10,394	247,045	51,549	195,496
22	Backflow Prevention Devices	5.00%	-	-	-	-	-	-	-	3,778	80,024	16,923	63,101
23	Other Plant & Misc Equipment	5.00%	-	-	-	-	-	-	-	5,327	148,034	21,327	126,707
24	Office Furniture & Equipment	5.00%	-	-	-	-	-	-	-	-	-	-	-
25	Computers & Software	5.00%	-	-	-	-	-	-	-	-	-	-	-
26	Transportation Equipment	5.00%	-	-	-	-	-	-	-	-	-	-	-
27	Stores Equipment	5.00%	-	-	-	-	-	-	-	444	8,878	2,604	6,274
28	Tools, Shop & Garage Equipment	5.00%	-	-	-	-	-	-	-	213	4,250	531	3,719
29	Laboratory Equipment	5.00%	-	-	-	-	-	-	-	-	-	-	-
30	Power Operated Equipment	5.00%	-	-	-	-	-	-	-	58	1,165	475	690
31	Communication Equipment	5.00%	-	-	-	-	-	-	-	-	-	-	-
32	Miscellaneous Equipment	5.00%	1,384	-	1,384	-	-	-	-	145	3,584	932	2,652
33	Other Tangible Plant	5.00%	-	-	-	-	-	-	-	-	-	-	-
34	TOTAL		646,102	-	646,102	-	-	-	-	77,948	1,904,905	458,308	1,446,597

Lago Del Oro Water Company

Test Year Ended December 31, 2012

Reconciliation of Plant Additions, Retirements and Accumulated Depreciation

Exhibit
Schedule B-2
Page 3.10
Witness: Jones/Bourassa

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate	Plant Additions	Plant Adjustments	Adjusted Plant Additions	Plant Retirements	Unbooked Plant Retirements	Adjusted Plant Retirements	Salvage A/D Only	Depreciation [Calculated]	Plant Balance	Accum. Deprec.	Net Plant
1	301	Organization Cost	0.00%	-	-	-	-	-	-	-	-	-	-	-
2	302	Franchise Cost	0.00%	-	-	-	-	-	-	-	-	-	-	-
3	303	Land and Land Rights	0.00%	-	-	-	-	-	-	-	-	42,808	-	42,808
4	304	Structures & Improvements	5.00%	-	-	-	-	-	-	595	595	11,895	3,172	8,723
5	305	Collecting & Impounding Reservoirs	5.00%	-	-	-	-	-	-	-	-	-	-	-
6	306	Lake, River, Canal Intakes	5.00%	-	-	-	-	-	-	-	-	-	-	-
7	307	Wells & Springs	5.00%	-	-	-	-	-	-	7,490	7,490	149,797	43,714	106,083
8	308	Infiltration Galleries	5.00%	-	-	-	-	-	-	-	-	-	-	-
9	309	Raw Water Supply Mains	5.00%	-	-	-	-	-	-	-	-	-	-	-
10	310	Power Generation Equipment	5.00%	-	-	-	-	-	-	8,366	8,366	187,716	75,852	91,864
11	311	Pumping Equipment	5.00%	-	-	-	-	-	-	-	-	-	-	-
12	320	Water Treatment Plants	5.00%	-	-	-	-	-	-	61	61	1,212	323	889
13	320.1	Water Treatment Plants	5.00%	-	-	-	-	-	-	-	-	-	-	-
14	320.2	Solution Chemical Feeders	5.00%	-	-	-	-	-	-	-	-	-	-	-
15	330	Distribution Reservoirs & Standpipes	5.00%	-	-	-	-	-	-	-	-	-	-	-
16	330.1	Storage Tanks	5.00%	-	-	-	-	-	-	-	-	-	-	-
17	330.2	Pressure Tanks	5.00%	-	-	-	-	-	-	-	-	-	-	-
18	331	Transmission & Distribution Mains	5.00%	-	-	-	-	-	-	11,149	11,149	222,970	98,321	123,649
19	333	Services	5.00%	25,276	-	25,276	-	-	-	525	525	10,509	4,814	5,695
20	334	Meters	5.00%	13,997	-	13,997	-	-	-	40,261	40,261	805,218	205,236	599,982
21	335	Hydrants	5.00%	2,695	-	2,695	-	-	-	12,864	12,864	272,321	64,533	207,788
22	336	Backflow Prevention Devices	5.00%	-	-	-	-	-	-	4,351	4,351	94,021	21,274	72,747
23	339	Other Plant & Misc Equipment	5.00%	-	-	-	-	-	-	7,469	7,469	150,729	28,796	121,933
24	340	Office Furniture & Equipment	5.00%	-	-	-	-	-	-	-	-	-	-	-
25	340.1	Computers & Software	5.00%	-	-	-	-	-	-	-	-	-	-	-
26	341	Transportation Equipment	5.00%	-	-	-	-	-	-	213	213	4,250	744	3,506
27	342	Stores Equipment	5.00%	-	-	-	-	-	-	-	-	-	-	-
28	343	Tools, Shop & Garage Equipment	5.00%	-	-	-	-	-	-	-	-	-	-	-
29	344	Laboratory Equipment	5.00%	-	-	-	-	-	-	-	-	-	-	-
30	345	Power Operated Equipment	5.00%	-	-	-	-	-	-	58	58	1,165	533	632
31	346	Communication Equipment	5.00%	-	-	-	-	-	-	-	-	-	-	-
32	347	Miscellaneous Equipment	5.00%	-	-	-	-	-	-	214	214	4,978	1,146	3,832
33	348	Other Tangible Plant	5.00%	-	-	-	-	-	-	-	-	-	-	-
34				-	-	-	-	-	-	-	-	-	-	-
35		TOTAL		43,362	-	43,362	-	-	-	94,199	94,199	1,948,287	552,508	1,395,780

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate	Plant Additions	Plant Adjustments	Adjusted Additions	Plant Retirements	Unbooked Plant Retirements	Adjusted Plant Retirements	Salvage A/D Only	Depreciation (Calculated)	Plant Balance	Accum. Deprec.	Net Plant
1	301	Organization Cost	0.00%	-	-	-	-	-	-	-	-	-	-	-
2	302	Franchise Cost	0.00%	-	-	-	-	-	-	-	-	-	-	-
3	303	Land and Land Rights	0.00%	-	-	-	-	-	-	-	-	-	-	-
4	304	Structures & Improvements	5.00%	-	-	-	-	-	-	-	-	42,608	-	42,608
5	305	Collecting & Impounding Reservoirs	5.00%	-	-	-	-	-	-	-	595	11,895	3,767	8,128
6	306	Lake, River, Canal Intakes	5.00%	-	-	-	-	-	-	-	-	-	-	-
7	307	Wells & Springs	5.00%	-	-	-	-	-	-	-	-	-	-	-
8	308	Infiltration Galleries	5.00%	-	-	-	-	-	-	-	-	-	-	-
9	309	Raw Water Supply Mains	5.00%	-	-	-	-	-	-	-	-	-	-	-
10	310	Power Generation Equipment	5.00%	-	-	-	-	-	-	-	-	-	-	-
11	311	Pumping Equipment	5.00%	-	-	-	-	-	-	-	-	-	-	-
12	320	Water Treatment Equipment	5.00%	96,869	-	96,869	-	36,855	36,855	-	9,891	227,930	49,088	178,842
13	320.1	Water Treatment Plants	5.00%	-	-	-	-	-	-	-	-	-	-	-
14	320.2	Solution Chemical Feeders	5.00%	-	-	-	-	-	-	-	-	-	-	-
15	330	Distribution Reservoirs & Standpipes	5.00%	-	-	-	-	-	-	-	-	-	-	-
16	330.1	Storage Tanks	5.00%	-	-	-	-	-	-	-	-	-	-	-
17	330.2	Pressure Tanks	5.00%	7,087	-	7,087	-	-	-	-	61	1,212	304	828
18	331	Transmission & Distribution Mains	5.00%	83,727	-	83,727	-	-	-	-	11,149	222,970	110,770	112,500
19	333	Services	5.00%	30,258	-	30,258	-	-	-	-	703	17,598	5,516	12,080
20	334	Meters	5.00%	13,711	-	13,711	-	-	-	-	42,354	886,945	247,590	641,355
21	335	Hydrants	5.00%	-	-	-	-	-	-	-	14,373	302,579	78,905	223,674
22	336	Backflow Prevention Devices	5.00%	-	-	-	-	-	-	-	5,044	107,732	26,318	81,414
23	339	Other Plant & Misc Equipment	5.00%	-	-	-	-	-	-	-	7,536	150,729	36,333	114,396
24	340	Office Furniture & Equipment	5.00%	-	-	-	-	-	-	-	-	-	-	-
25	340.1	Computers & Software	5.00%	-	-	-	-	-	-	-	-	-	-	-
26	341	Transportation Equipment	5.00%	-	-	-	-	-	-	-	-	-	-	-
27	342	Stores Equipment	5.00%	16,114	-	16,114	-	-	-	-	444	8,878	3,492	5,386
28	343	Tools, Shop & Garage Equipment	5.00%	-	-	-	-	-	-	-	615	20,364	1,359	19,005
29	344	Laboratory Equipment	5.00%	-	-	-	-	-	-	-	-	-	-	-
30	345	Power Operated Equipment	5.00%	-	-	-	-	-	-	-	-	-	-	-
31	346	Communication Equipment	5.00%	42,771	-	42,771	-	-	-	-	1,126	43,936	1,661	42,275
32	347	Miscellaneous Equipment	5.00%	-	-	-	-	-	-	-	-	-	-	-
33	348	Other Tangible Plant	5.00%	7,858	-	7,858	-	-	-	-	445	12,936	1,591	11,245
34				-	-	-	-	-	-	-	-	-	-	-
35				-	-	-	-	-	-	-	-	-	-	-
36				-	-	-	-	-	-	-	-	-	-	-
37				-	-	-	-	-	-	-	-	-	-	-
38		TOTAL		288,398	-	288,398	-	39,205	39,205	-	101,763	2,207,457	615,064	1,592,393

Lago Del Oro Water Company

Test Year Ended December 31, 2012

Reconciliation of Plant Additions, Retirements and Accumulated Depreciation

Exhibit
Schedule B-2
Page 3.12
Witness: Jones/Bourassa

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate	1895				Salvage A/D Only	Depreciation (Calculated)	Plant Balance	Accum. Deprec.	Net Plant
				Plant Additions	Plant Adjustments	Adjusted Plant Additions	Plant Retirements					
1	301	Organization Cost	0.00%	-	-	-	-	-	-	-	-	-
2	302	Franchise Cost	0.00%	-	-	-	-	-	-	-	-	-
3	303	Land and Land Rights	0.00%	-	-	-	-	-	-	42,608	-	42,608
4	304	Structures & Improvements	5.00%	-	-	-	-	-	646	13,956	4,413	9,543
5	305	Collecting & Impounding Reservoirs	5.00%	2,061	-	2,061	-	-	-	-	-	-
6	306	Lake, River, Canal Intakes	5.00%	-	-	-	-	-	-	-	-	-
7	307	Wells & Springs	5.00%	-	-	-	-	-	7,362	147,247	55,953	91,294
8	308	Intake Galleries	5.00%	-	-	-	-	-	-	-	-	-
9	309	Raw Water Supply Mains	5.00%	-	-	-	-	-	-	-	-	-
10	310	Power Generation Equipment	5.00%	-	-	-	-	-	-	-	-	-
11	311	Pumping Equipment	5.00%	-	-	-	-	-	-	-	-	-
12	320	Water Treatment Equipment	5.00%	-	-	-	-	-	-	-	-	-
13	320.1	Water Treatment Plants	5.00%	-	-	-	-	-	-	-	-	-
14	320.2	Solution Chemical Feeders	5.00%	-	-	-	-	-	-	-	-	-
15	330	Distribution Reservoirs & Standpipes	5.00%	-	-	-	-	-	-	-	-	-
16	330.1	Storage Tanks	5.00%	-	-	-	-	-	-	-	-	-
17	330.2	Pressure Tanks	5.00%	-	-	-	-	-	81	1,212	444	768
18	331	Transmission & Distribution Mains	5.00%	-	-	-	-	-	-	-	-	-
19	333	Services	5.00%	81,453	-	81,453	-	-	11,149	222,970	121,618	101,352
20	334	Meters	5.00%	18,139	-	18,139	-	-	830	15,617	4,368	11,250
21	335	Hydrants	5.00%	9,109	-	9,109	-	-	46,484	970,398	294,074	676,324
22	336	Backflow Prevention Devices	5.00%	943	-	943	-	-	15,582	320,718	94,488	226,230
23	338	Other Plant & Misc Equipment	5.00%	-	-	-	-	-	5,614	118,841	31,833	84,908
24	340	Office Furniture & Equipment	5.00%	-	-	-	-	-	7,560	151,672	43,893	107,779
25	340.1	Computers & Software	5.00%	-	-	-	-	-	-	-	-	-
26	341	Transportation Equipment	5.00%	-	-	-	-	-	-	-	-	-
27	342	Stores Equipment	5.00%	-	-	-	-	-	-	-	-	-
28	343	Tools, Shop & Garage Equipment	5.00%	-	-	-	-	-	444	8,678	3,936	4,942
29	344	Laboratory Equipment	5.00%	-	-	-	-	-	-	-	-	-
30	345	Power Operated Equipment	5.00%	-	-	-	-	-	-	-	-	-
31	346	Communication Equipment	5.00%	-	-	-	-	-	2,197	43,936	3,857	40,079
32	347	Miscellaneous Equipment	5.00%	-	-	-	-	-	-	-	-	-
33	348	Other Tangible Plant	5.00%	-	-	-	-	-	642	12,836	2,233	10,603
34				-	-	-	-	-	-	-	-	-
35		TOTAL		111,704	-	111,704	-	3,958	110,898	2,315,203	722,042	1,593,161

Lago Del Oro Water Company
Test Year Ended December 31, 2012
Reconciliation of Plant Additions, Retirements and Accumulated Depreciation

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate	1998				Salvage A/D Only	Depreciation (Calculated)	Plant Balance	Accum. Deprec.	Net Plant
				Plant Additions	Plant Adjustments	Adjusted Plant Additions	Unbooked Plant Retirements					
1	301	Organization Cost	0.00%	-	-	-	-	-	-	-	-	-
2	302	Franchise Cost	0.00%	-	-	-	-	-	-	-	-	-
3	303	Land and Land Rights	0.00%	-	-	-	-	-	-	42,608	-	42,608
4	304	Structures & Improvements	5.00%	-	-	-	-	-	698	13,958	5,111	8,845
5	305	Collecting & Impounding Reservoirs	5.00%	-	-	-	-	-	-	-	-	-
6	306	Lake, River, Canal Intakes	5.00%	-	-	-	-	-	-	-	-	-
7	307	Wells & Springs	5.00%	20,950	-	20,950	-	-	7,886	188,197	83,839	104,358
8	308	Infiltration Galleries	5.00%	-	-	-	-	-	-	-	-	-
9	309	Raw Water Supply Mains	5.00%	-	-	-	-	-	-	-	-	-
10	310	Power Generation Equipment	5.00%	31,449	-	31,449	-	-	786	31,449	786	30,662
11	311	Pumping Equipment	5.00%	7,824	-	7,824	-	-	11,493	233,775	69,949	163,826
12	320	Water Treatment Equipment	5.00%	-	-	-	-	-	-	-	-	-
13	320.1	Water Treatment Plants	5.00%	-	-	-	-	-	-	-	-	-
14	320.2	Solution Chemical Feeders	5.00%	-	-	-	-	-	61	1,212	505	707
15	330	Distribution Reservoirs & Standpipes	5.00%	-	-	-	-	-	-	-	-	-
16	330.1	Storage Tanks	5.00%	-	-	-	-	-	-	-	-	-
17	330.2	Pressure Tanks	5.00%	-	-	-	-	-	-	-	-	-
18	331	Transmission & Distribution Mains	5.00%	43,142	-	43,142	-	-	11,148	222,970	132,767	90,203
19	333	Services	5.00%	13,370	-	13,370	-	-	781	15,617	5,148	10,469
20	334	Meters	5.00%	24,481	-	24,481	-	-	49,588	1,013,539	343,872	669,667
21	335	Hydrants	5.00%	-	-	-	-	-	16,370	334,088	110,858	223,230
22	336	Backflow Prevention Devices	5.00%	-	-	-	-	-	6,454	141,322	38,387	102,936
23	338	Other Plant & Misc Equipment	5.00%	-	-	-	-	-	7,584	151,872	51,478	100,394
24	340	Office Furniture & Equipment	5.00%	-	-	-	-	-	-	-	-	-
25	340.1	Computers & Software	5.00%	-	-	-	-	-	-	-	-	-
26	341	Stores Equipment	5.00%	16,519	-	16,519	-	-	444	8,878	4,379	4,499
27	342	Transportation Equipment	5.00%	-	-	-	-	-	1,431	36,883	3,808	33,074
28	343	Tools, Shop & Garage Equipment	5.00%	-	-	-	-	-	-	-	-	-
29	344	Laboratory Equipment	5.00%	-	-	-	-	-	-	-	-	-
30	345	Power Operated Equipment	5.00%	742	-	742	-	-	2,215	44,878	6,073	38,805
31	346	Communication Equipment	5.00%	-	-	-	-	-	-	-	-	-
32	347	Miscellaneous Equipment	5.00%	3,164	-	3,164	-	-	721	16,000	2,954	13,046
33	348	Other Tangible Plant	5.00%	-	-	-	-	-	-	-	-	-
34		TOTAL		161,840	-	161,840	-	-	117,871	2,476,844	839,713	1,637,131

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Lago Del Oro Water Company
Test Year Ended December 31, 2012
Reconciliation of Plant Additions, Retirements and Accumulated Depreciation

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate	1987					Depreciation (Calculated)	Plant Balance	Accum. Deprac.	Net Plant
				Plant Additions	Adjusted Plant Additions	Plant Retirements	Unbooked Plant Retirements	Adjusted Plant Retirements				
1	301	Organization Cost	0.00%	-	-	-	-	-	-	-	-	-
2	302	Franchise Cost	0.00%	-	-	-	-	-	-	-	-	-
3	303	Land and Land Rights	0.00%	-	-	-	-	-	-	42,608	-	42,608
4	304	Structures & Improvements	5.00%	-	-	-	-	-	688	13,956	5,809	8,147
5	305	Collecting & Impounding Reservoirs	5.00%	-	-	-	-	-	-	-	-	-
6	306	Lake River Canal Intakes	5.00%	-	-	-	-	-	-	-	-	-
7	307	Wells & Springs	5.00%	-	-	-	-	-	-	-	-	-
8	308	Infiltration Galleries	5.00%	-	-	-	-	-	-	163,805	67,747	96,058
9	309	Raw Water Supply Mains	5.00%	-	-	-	-	-	-	-	-	-
10	310	Power Generation Equipment	5.00%	-	-	-	-	-	-	31,448	2,359	29,089
11	311	Pumping Equipment	5.00%	-	-	-	-	-	-	279,635	82,789	197,046
12	320	Water Treatment Equipment	5.00%	-	-	-	-	-	-	-	-	-
13	320.1	Water Treatment Plants	5.00%	-	-	-	-	-	-	-	-	-
14	320.2	Solution Chemical Feeders	5.00%	-	-	-	-	-	-	1,212	586	646
15	330	Distribution Reservoirs & Standpipes	5.00%	-	-	-	-	-	-	-	-	-
16	330.1	Storage Tanks	5.00%	-	-	-	-	-	-	224,865	143,982	80,903
17	330.2	Pressure Tanks	5.00%	-	-	-	-	-	-	33,706	6,381	27,324
18	331	Transmission & Distribution Mains	5.00%	-	-	-	-	-	-	1,131,361	397,295	734,066
19	333	Services	5.00%	-	-	-	-	-	-	344,748	127,829	216,919
20	334	Meters	5.00%	-	-	-	-	-	-	165,027	46,045	118,981
21	335	Hydrants	5.00%	-	-	-	-	-	-	154,242	56,124	98,117
22	338	Backflow Prevention Devices	5.00%	-	-	-	-	-	-	-	-	-
23	339	Other Plant & Misc Equipment	5.00%	-	-	-	-	-	-	6,321	2,202	4,119
24	340	Office Furniture & Equipment	5.00%	-	-	-	-	-	-	-	-	-
25	340.1	Computers & Software	5.00%	-	-	-	-	-	-	58,444	6,192	52,252
26	341	Transportation Equipment	5.00%	-	-	-	-	-	-	-	-	-
27	342	Stores Equipment	5.00%	-	-	-	-	-	-	-	-	-
28	343	Tools, Shop & Garage Equipment	5.00%	-	-	-	-	-	-	-	-	-
29	344	Laboratory Equipment	5.00%	-	-	-	-	-	-	-	-	-
30	345	Power Operated Equipment	5.00%	-	-	-	-	-	-	43,513	7,113	36,400
31	346	Communication Equipment	5.00%	-	-	-	-	-	-	205,637	5,141	200,496
32	347	Miscellaneous Equipment	5.00%	-	-	-	-	-	-	809	1,563	14,779
33	348	Other Tangible Plant	5.00%	-	-	-	-	-	-	-	-	-
34				-	-	-	-	-	-	-	-	-
35		TOTAL		450,538	450,538	-	10,314	10,314	132,717	2,917,068	962,116	1,954,951

Lago Del Oro Water Company

Test Year Ended December 31, 2012

Reconciliation of Plant Additions, Retirements and Accumulated Depreciation

Exhibit
Schedule B-2
Page 3.15
Witness: Jones/Bourassa

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate	1998				Depreciation (Calculated)	Plant Balance	Accum. Deprec.	Net Plant
				Plant Additions	Plant Adjustments	Adjusted Plant	Unbooked Retirements				
1	301	Organization Cost	0.00%	-	-	-	-	-	-	-	-
2	302	Franchise Cost	0.00%	-	-	-	-	-	-	-	-
3	303	Land and Land Rights	0.00%	-	-	-	-	-	-	-	-
4	304	Structures & Improvements	5.00%	47,933	-	47,933	-	-	42,608	-	42,608
5	305	Collecting & Impounding Reservoirs	5.00%	-	-	-	228	-	61,661	7,471	54,190
6	306	Lake, River, Canal Intakes	5.00%	-	-	-	-	-	-	-	-
7	307	Wells & Springs	5.00%	-	-	-	-	-	-	-	-
8	308	Infiltration Galleries	5.00%	1,048,166	-	1,048,166	-	-	1,208,309	98,388	1,109,921
9	309	Raw Water Supply Mains	5.00%	-	-	-	-	-	-	-	-
10	310	Power Generation Equipment	5.00%	-	-	-	-	-	-	-	-
11	311	Pumping Equipment	5.00%	1,739,780	-	1,739,780	-	-	31,449	3,931	27,518
12	320	Water Treatment Equipment	5.00%	500,188	-	500,188	-	-	1,995,057	115,104	1,879,953
13	320.1	Water Treatment Plants	5.00%	-	-	-	-	-	500,188	18,757	481,431
14	320.2	Solution Chemical Feeders	5.00%	1,501	-	1,501	-	-	-	-	-
15	330	Distribution Reservoirs & Standpipes	5.00%	-	-	-	1,212	-	1,501	(579)	2,080
16	330.1	Storage Tanks	5.00%	772,936	-	772,936	-	-	997,801	174,529	823,272
17	330.2	Pressure Tanks	5.00%	126,048	-	126,048	-	-	152,023	3,293	148,729
18	331	Transmission & Distribution Mains	5.00%	987,078	-	987,078	-	-	2,116,439	478,540	1,639,899
19	333	Services	5.00%	141,700	-	141,700	-	-	488,447	148,609	337,839
20	334	Meters	5.00%	25,364	-	25,364	-	-	190,390	54,931	135,460
21	335	Hydrants	5.00%	102,750	-	102,750	-	-	256,892	69,405	187,587
22	336	Backflow Prevention Devices	5.00%	-	-	-	-	-	-	-	-
23	339	Other Plant & Misc Equipment	5.00%	5,597	-	5,597	-	-	11,918	2,659	9,260
24	340	Office Furniture & Equipment	5.00%	-	-	-	-	-	-	-	-
25	340.1	Computers & Software	5.00%	-	-	-	-	-	-	-	-
26	341	Transportation Equipment	5.00%	21,440	-	21,440	-	-	50,208	(20,767)	70,976
27	342	Stores Equipment	5.00%	-	-	-	-	-	-	-	-
28	343	Tools, Shop & Garage Equipment	5.00%	-	-	-	-	-	-	-	-
29	344	Laboratory Equipment	5.00%	-	-	-	-	-	-	-	-
30	345	Power Operated Equipment	5.00%	-	-	-	-	-	-	-	-
31	346	Communication Equipment	5.00%	1,956	-	1,956	-	-	43,513	9,288	34,225
32	347	Miscellaneous Equipment	5.00%	-	-	-	-	-	10,331	207,593	192,121
33	348	Other Tangible Plant	5.00%	-	-	-	-	-	817	2,380	13,962
34				-	-	-	-	-	-	-	-
35		TOTAL		5,522,437	-	5,522,437	29,675	67,068	8,372,438	1,181,410	7,191,028

Lago Del Oro Water Company
Test Year Ended December 31, 2012
Reconciliation of Plant Additions, Retirements and Accumulated Depreciation

Exhibit
Schedule B-2
Page 3.16
Witness: Jones/Bourassa

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate	1999				Salvage A/D Only	Depreciation (Calculated)	Plant Balance	Accum. Deprec.	Net Plant
				Plant Additions	Plant Adjustments	Adjusted Plant Additions	Unbooked Plant Retirements					
1	301	Organization Cost	0.00%	-	-	-	-	-	-	-	-	-
2	302	Franchise Cost	0.00%	-	-	-	-	-	-	-	-	-
3	303	Land and Land Rights	0.00%	-	-	-	-	-	-	42,608	-	42,608
4	304	Structures & Improvements	5.00%	7,094	-	7,094	-	-	3,260	68,755	10,731	58,023
5	305	Collecting & Impounding Reservoirs	5.00%	-	-	-	-	-	-	-	-	-
6	306	Lake, River, Canal Intakes	5.00%	-	-	-	-	-	-	-	-	-
7	307	Wells & Springs	5.00%	-	-	-	-	-	60,415	1,208,309	158,803	1,049,506
8	308	Infiltration Galleries	5.00%	-	-	-	-	-	-	-	-	-
9	309	Raw Water Supply Mains	5.00%	-	-	-	-	-	-	-	-	-
10	310	Power Generation Equipment	5.00%	-	-	-	-	-	1,572	31,449	5,504	25,945
11	311	Pumping Equipment	5.00%	-	-	-	-	-	101,049	2,046,921	206,040	1,840,881
12	320	Water Treatment Equipment	5.00%	61,977	-	61,977	10,113	-	25,009	500,188	43,766	456,421
13	320.1	Water Treatment Plants	5.00%	-	-	-	-	-	-	-	-	-
14	320.2	Solution Chemical Feeders	5.00%	-	-	-	-	-	90	2,117	(488)	2,605
15	330	Distribution Reservoirs & Standpipes	5.00%	-	-	-	-	-	-	-	-	-
16	330.1	Pressure Tanks	5.00%	-	-	-	-	-	-	-	-	-
17	330.2	Storage Tanks	5.00%	-	-	-	-	-	49,890	897,801	224,419	773,382
18	331	Transmission & Distribution Mains	5.00%	-	-	-	-	-	7,601	152,023	10,894	141,128
19	333	Services	5.00%	11,019	-	11,019	-	-	106,197	2,129,458	564,737	1,544,720
20	334	Meters	5.00%	6,400	-	6,400	-	-	24,482	492,847	173,091	319,756
21	335	Hydrants	5.00%	37,998	-	37,998	-	-	10,469	228,388	65,400	162,988
22	336	Backflow Prevention Devices	5.00%	-	-	-	-	-	12,850	256,992	82,255	174,737
23	339	Other Plant & Misc Equipment	5.00%	-	-	-	-	-	-	-	-	-
24	340	Office Furniture & Equipment	5.00%	-	-	-	-	-	-	-	-	-
25	340.1	Computers & Software	5.00%	-	-	-	-	-	-	-	-	-
26	341	Transportation Equipment	5.00%	2,283	-	2,283	-	-	596	11,918	3,254	8,664
27	342	Stores Equipment	5.00%	-	-	-	-	-	-	-	-	-
28	343	Tools, Shop & Garage Equipment	5.00%	-	-	-	-	-	2,568	52,492	(18,200)	70,692
29	344	Laboratory Equipment	5.00%	-	-	-	-	-	-	-	-	-
30	345	Power Operated Equipment	5.00%	-	-	-	-	-	-	-	-	-
31	346	Communication Equipment	5.00%	11,575	-	11,575	-	-	2,176	43,513	11,464	32,049
32	347	Miscellaneous Equipment	5.00%	3,147	-	3,147	-	-	10,669	219,166	26,141	193,027
33	348	Other Tangible Plant	5.00%	-	-	-	-	-	896	19,486	3,275	16,213
34		TOTAL		142,109	-	142,109	10,113	-	419,781	8,504,734	1,591,088	6,913,346

[illegible]

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate	2001											
				Plant Additions	Plant Adjustments	Adjusted Additions	Plant Retirements	Unbooked Plant Retirements	Adjusted Plant Retirements	Salvage A/D Only	Deprecation (Calculated)	Plant Balance	Accum. Deprec.	Net Plant	
1	301	Organization Cost	0.00%	-	-	-	-	-	-	-	-	-	-	-	-
2	302	Franchise Cost	0.00%	-	-	-	-	-	-	-	-	-	-	-	-
3	303	Land and Land Rights	0.00%	-	-	-	-	-	-	-	-	42,808	-	-	42,808
4	304	Structures & Improvements	5.00%	74,199	-	74,199	-	-	-	-	-	142,954	19,482	-	123,482
5	305	Collecting & Impounding Reservoirs	5.00%	-	-	-	-	-	-	-	-	-	-	-	-
6	306	Lake, River, Canal Intakes	5.00%	-	-	-	-	-	-	-	-	-	-	-	-
7	307	Wells & Springs	5.00%	-	-	-	-	-	-	-	-	-	-	-	-
8	308	Infiltration Galleries	5.00%	-	-	-	-	-	-	-	-	-	-	-	-
9	309	Raw Water Supply Mains	5.00%	-	-	-	-	-	-	-	-	-	-	-	-
10	310	Power Generation Equipment	5.00%	135,000	-	135,000	-	-	-	-	-	-	-	-	-
11	311	Pumping Equipment	5.00%	785,764	-	785,764	-	50,419	-	-	-	-	-	-	-
12	320	Water Treatment Equipment	5.00%	7,687	-	7,687	-	-	-	-	-	-	-	-	-
13	320.1	Water Treatment Plants	5.00%	-	-	-	-	-	-	-	-	-	-	-	-
14	320.2	Solution Chemical Feeders	5.00%	-	-	-	-	-	-	-	-	-	-	-	-
15	330	Distribution Reservoirs & Standpipes	5.00%	-	-	-	-	-	-	-	-	-	-	-	-
16	330.1	Storage Tanks	5.00%	190,000	-	190,000	-	-	-	-	-	-	-	-	-
17	330.2	Pressure Tanks	5.00%	37,264	-	37,264	-	-	-	-	-	-	-	-	-
18	331	Transmission & Distribution Mains	5.00%	370,594	-	370,594	-	-	-	-	-	-	-	-	-
19	333	Services	5.00%	216,381	-	216,381	-	-	-	-	-	-	-	-	-
20	334	Meters	5.00%	21,192	-	21,192	-	-	-	-	-	-	-	-	-
21	335	Hydants	5.00%	41,350	-	41,350	-	-	-	-	-	-	-	-	-
22	336	Backflow Prevention Devices	5.00%	-	-	-	-	-	-	-	-	-	-	-	-
23	339	Other Plant & Misc Equipment	5.00%	12,926	-	12,926	-	5,702	-	20,005	(1,630)	-	-	-	21,635
24	340	Office Furniture & Equipment	5.00%	-	-	-	-	-	-	-	-	-	-	-	-
25	340.1	Computers & Software	5.00%	5,408	-	5,408	-	11,275	-	63,564	(23,101)	-	-	-	86,885
26	341	Transportation Equipment	5.00%	-	-	-	-	-	-	-	-	-	-	-	-
27	342	Stores Equipment	5.00%	-	-	-	-	-	-	-	-	-	-	-	-
28	343	Tools, Shop & Garage Equipment	5.00%	-	-	-	-	-	-	-	-	-	-	-	-
29	344	Laboratory Equipment	5.00%	-	-	-	-	-	-	-	-	-	-	-	-
30	345	Power Operated Equipment	5.00%	-	-	-	-	-	-	-	-	-	-	-	-
31	346	Communication Equipment	5.00%	5,229	-	5,229	-	-	-	-	-	-	-	-	-
32	347	Miscellaneous Equipment	5.00%	3,693	-	3,693	-	-	-	-	-	-	-	-	-
33	348	Other Tangible Plant	5.00%	-	-	-	-	-	-	-	-	-	-	-	-
34		TOTAL		1,908,688	-	1,908,688	11,275	56,121	67,396	-	552,061	12,003,469	2,452,277	9,551,192	

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate	2002									
				Plant Additions	Adjusted Plant Additions	Plant Retirements	Unbooked Plant Retirements	Adjusted Plant Retirements	Salvage A/D Only	Depreciation (Calculated)	Plant Balance	Accum. Deprec.	Net Plant
1	301	Organization Cost	0.00%	-	-	-	-	-	-	-	-	-	-
2	302	Franchise Cost	0.00%	-	-	-	-	-	-	-	-	-	-
3	303	Land and Land Rights	0.00%	-	-	-	-	-	-	-	-	-	-
4	304	Structures & Improvements	5.00%	11,304	11,304	-	-	-	-	7,430	42,608	26,892	42,608
5	305	Collecting & Impounding Reservoirs	5.00%	-	-	-	-	-	-	-	154,258	-	127,366
6	306	Lake, River, Canal Intakes	5.00%	-	-	-	-	-	-	-	-	-	-
7	307	Wells & Springs	5.00%	24,135	24,135	-	-	-	-	83,014	1,672,350	395,641	1,276,709
8	308	Infiltration Galleries	5.00%	-	-	-	-	-	-	-	-	-	-
9	309	Raw Water Supply Mains	5.00%	-	-	-	-	-	-	-	-	-	-
10	310	Power Generation Equipment	5.00%	-	-	-	-	-	-	8,322	166,449	20,346	146,103
11	311	Pumping Equipment	5.00%	139,863	139,863	-	28,437	28,437	-	147,012	2,995,962	419,943	2,576,019
12	320	Water Treatment Plant	5.00%	-	-	-	-	-	-	31,253	625,070	131,579	493,491
13	320.1	Water Treatment Plants	5.00%	-	-	-	-	-	-	-	-	-	-
14	320.2	Solution Chemical Feeders	5.00%	-	-	-	-	-	-	-	-	-	-
15	330	Distribution Reservoirs & Standpipes	5.00%	-	-	-	-	-	-	-	-	-	-
16	330.1	Storage Tanks	5.00%	-	-	-	-	-	-	185	3,697	27	3,670
17	330.2	Pressure Tanks	5.00%	-	-	-	-	-	-	59,390	1,187,801	398,339	789,462
18	331	Transmission & Distribution Mains	5.00%	501,694	501,694	-	-	-	-	11,558	231,151	41,725	189,425
19	333	Services	5.00%	141,040	141,040	-	-	-	-	167,905	3,868,944	1,020,144	2,588,800
20	334	Meters	5.00%	35,151	35,151	-	-	-	-	47,393	1,016,368	287,768	730,600
21	335	Hydrants	5.00%	51,840	51,840	-	-	-	-	14,483	307,230	104,939	202,291
22	336	Backflow Prevention Devices	5.00%	-	-	-	-	-	-	23,250	490,922	142,793	348,128
23	339	Other Plant & Misc Equipment	5.00%	-	-	-	-	-	-	-	-	-	-
24	340	Office Furniture & Equipment	5.00%	4,193	4,193	-	-	-	-	1,105	24,198	(524)	24,723
25	340.1	Computers & Software	5.00%	-	-	-	-	-	-	3,570	79,229	(19,531)	98,759
26	341	Transportation Equipment	5.00%	15,645	15,645	-	-	-	-	-	-	-	-
27	342	Stores Equipment	5.00%	-	-	-	-	-	-	-	-	-	-
28	343	Tools, Shop & Garage Equipment	5.00%	-	-	-	-	-	-	-	-	-	-
29	344	Laboratory Equipment	5.00%	-	-	-	-	-	-	-	-	-	-
30	345	Power Operated Equipment	5.00%	10,235	10,235	-	-	-	-	2,432	53,748	18,247	35,502
31	346	Communication Equipment	5.00%	4,821	4,821	-	-	-	-	11,387	230,157	59,646	170,511
32	347	Miscellaneous Equipment	5.00%	729	729	-	1,384	1,384	-	1,223	24,127	5,275	18,851
33	348	Other Tangible Plant	5.00%	-	-	-	-	-	-	-	-	-	-
34													
35		TOTAL		940,639	940,639	-	29,821	29,821	-	620,814	12,914,288	3,043,270	9,871,018

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate	2003					Depreciation (Calculated)	Plant Balance	Accum. Deprec.	Net Plant
				Plant Additions	Adjusted Plant	Retirements	Unbooked Retirements	Adjusted Plant				
1	301	Organization Cost	0.00%	-	-	-	-	-	-	-	-	-
2	302	Franchise Cost	0.00%	-	-	-	-	-	-	-	-	-
3	303	Land and Land Rights	0.00%	-	-	-	-	-	-	42,608	-	42,608
4	304	Structures & Improvements	5.00%	4,988	4,988	-	-	-	7,838	158,248	34,730	124,518
5	305	Collecting & Impounding Reservoirs	5.00%	-	-	-	-	-	-	-	-	-
6	306	Lake, River, Canal Intakes	5.00%	-	-	-	-	-	-	-	-	-
7	307	Wells & Springs	5.00%	-	-	-	-	-	83,618	1,872,350	479,259	1,393,091
8	308	Infiltration Galleries	5.00%	-	-	-	-	-	-	-	-	-
9	309	Raw Water Supply Mains	5.00%	-	-	-	-	-	-	-	-	-
10	310	Power Generation Equipment	5.00%	-	-	-	-	-	8,322	186,448	28,868	157,580
11	311	Pumping Equipment	5.00%	-	-	-	-	-	150,349	3,018,002	555,494	2,462,508
12	320	Water Treatment Equipment	5.00%	38,838	38,838	-	14,798	14,798	31,253	625,070	162,832	462,237
13	320.1	Water Treatment Plants	5.00%	-	-	-	-	-	-	-	-	-
14	320.2	Solution Chemical Feeders	5.00%	-	-	-	-	-	-	-	-	-
15	330	Distribution Reservoirs & Standpipes	5.00%	-	-	-	-	-	185	3,697	212	3,485
16	330.1	Storage Tanks	5.00%	-	-	-	-	-	59,390	1,187,801	447,729	740,072
17	330.2	Pressure Tanks	5.00%	1,152	1,152	-	1,132	1,132	11,558	231,171	52,152	179,019
18	331	Transmission & Distribution Mains	5.00%	97,257	97,257	-	-	-	182,779	3,704,201	1,202,922	2,501,278
19	333	Services	5.00%	99,345	99,345	-	-	-	53,403	1,117,733	341,191	776,542
20	334	Meters	5.00%	44,480	44,480	-	-	-	16,474	351,720	121,413	230,307
21	335	Hydrants	5.00%	9,240	9,240	-	-	-	24,777	500,162	167,570	332,591
22	336	Backflow Prevention Devices	5.00%	-	-	-	-	-	-	-	-	-
23	338	Other Plant & Misc Equipment	5.00%	-	-	-	-	-	1,210	24,188	685	23,513
24	340	Office Furniture & Equipment	5.00%	-	-	-	-	-	-	-	-	-
25	340.1	Computers & Software	5.00%	-	-	-	-	-	-	-	-	-
26	341	Transportation Equipment	5.00%	640	640	7,700	-	7,700	3,785	72,169	(23,446)	95,614
27	342	Stores Equipment	5.00%	-	-	-	-	-	-	-	-	-
28	343	Tools, Shop & Garage Equipment	5.00%	-	-	-	-	-	-	-	-	-
29	344	Laboratory Equipment	5.00%	-	-	-	-	-	-	-	-	-
30	345	Power Operated Equipment	5.00%	-	-	-	-	-	2,887	53,748	20,934	32,814
31	346	Communication Equipment	5.00%	2,154	2,154	-	-	-	11,562	232,311	71,208	161,103
32	347	Miscellaneous Equipment	5.00%	-	-	-	1,394	1,394	1,171	22,733	5,053	17,680
33	348	Other Tangible Plant	5.00%	-	-	-	-	-	-	-	-	-
34												
35		TOTAL		286,104	286,104	7,700	17,324	25,024	850,381	13,185,368	3,888,608	9,516,761

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate	2004				Salvage A/D Only	Depreciation (Calculated)	Plant Balance	Accum. Deprec.	Net Plant
				Plant Additions	Plant Adjustments	Adjusted Plant Additions	Unbooked Retirements					
1	301	Organization Cost	0.00%	-	-	-	-	-	-	-	-	-
2	302	Franchise Cost	0.00%	-	-	-	-	-	-	-	-	-
3	303	Land and Land Rights	0.00%	-	-	-	-	-	-	42,808	-	42,808
4	304	Structures & Improvements	5.00%	17,805	-	17,805	-	-	8,407	177,051	43,137	133,914
5	305	Collecting & Impounding Reservoirs	5.00%	-	-	-	-	-	-	-	-	-
6	306	Lake, River, Canal Intakes	5.00%	-	-	-	-	-	-	-	-	-
7	307	Wells & Springs	5.00%	-	-	-	-	-	-	-	-	-
8	308	Infiltration Galleries	5.00%	-	-	-	-	-	-	-	-	-
9	309	Raw Water Supply Mains	5.00%	-	-	-	-	-	83,506	1,987,882	558,298	1,109,586
10	310	Power Generation Equipment	5.00%	-	-	-	-	-	-	-	-	-
11	311	Pumping Equipment	5.00%	-	-	-	-	-	8,322	166,449	36,991	129,458
12	320	Water Treatment Equipment	5.00%	163,427	-	163,427	-	-	150,530	3,003,203	527,787	2,475,405
13	320.1	Water Treatment Plants	5.00%	-	-	-	-	-	31,253	625,070	194,086	430,984
14	320.2	Solution Chemical Feeders	5.00%	-	-	-	-	-	-	-	-	-
15	330	Distribution Reservoirs & Standpipes	5.00%	4,778	-	4,778	-	-	304	8,475	516	7,959
16	330.1	Storage Tanks	5.00%	-	-	-	-	-	-	-	-	-
17	330.2	Pressure Tanks	5.00%	836	-	836	-	-	59,411	1,188,637	507,140	681,497
18	331	Transmission & Distribution Mains	5.00%	1,155	-	1,155	-	-	11,524	229,778	81,125	168,651
19	333	Services	5.00%	91,568	-	91,568	-	-	187,499	3,795,769	1,390,422	2,405,347
20	334	Meters	5.00%	91,824	-	91,824	-	-	58,182	1,209,557	398,373	810,184
21	335	Hydrants	5.00%	41,042	-	41,042	-	-	18,612	392,762	140,025	252,737
22	336	Backflow Prevention Devices	5.00%	-	-	-	-	-	25,008	500,162	182,578	307,583
23	339	Other Plant & Misc Equipment	5.00%	-	-	-	-	-	-	-	-	-
24	340	Office Furniture & Equipment	5.00%	2,532	-	2,532	-	-	1,273	28,730	1,959	24,771
25	340.1	Computers & Software	5.00%	-	-	-	-	-	-	-	-	-
26	341	Transportation Equipment	5.00%	27,217	-	27,217	-	-	4,289	89,388	(19,157)	118,543
27	342	Stores Equipment	5.00%	-	-	-	-	-	-	-	-	-
28	343	Tools Shop & Garage Equipment	5.00%	-	-	-	-	-	-	-	-	-
29	344	Laboratory Equipment	5.00%	-	-	-	-	-	-	-	-	-
30	345	Power Operated Equipment	5.00%	-	-	-	-	-	2,697	53,748	23,622	30,127
31	346	Communication Equipment	5.00%	1,357	-	1,357	-	-	11,649	233,668	82,857	150,811
32	347	Miscellaneous Equipment	5.00%	-	-	-	-	-	940	14,874	(1,895)	16,740
33	348	Other Tangible Plant	5.00%	-	-	-	-	-	-	-	-	-
34				-	-	-	-	-	-	-	-	-
35		TOTAL		443,542	-	443,542	18,837	-	663,399	13,435,806	4,138,902	9,296,904

Lago Del Oro Water Company
Test Year Ended December 31, 2012
Reconciliation of Plant Additions, Retirements and Accumulated Depreciation

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate	2005				Salvage A/D Only	Depreciation (Calculated)	Plant Balance	Accum. Depr.	Net Plant
				Plant Additions	Plant Adjustments	Adjusted Plant Additions	Plant Retirements					
1	301	Organization Cost	0.00%	-	-	-	-	-	-	-	-	-
2	302	Franchise Cost	0.00%	-	-	-	-	-	-	-	-	-
3	303	Land and Land Rights	0.00%	-	-	-	-	-	-	42,608	-	42,608
4	304	Structures & Improvements	5.00%	31,960	-	31,960	-	-	8,652	208,011	52,789	156,222
5	305	Collecting & Impounding Reservoirs	5.00%	-	-	-	-	-	-	-	-	-
6	306	Lake, River, Canal Intakes	5.00%	-	-	-	-	-	-	-	-	-
7	307	Wells & Springs	5.00%	-	-	-	-	-	-	-	-	-
8	308	Infiltration Galleries	5.00%	-	-	-	-	-	83,394	1,667,882	641,691	1,026,191
9	309	Rew Water Supply Mains	5.00%	-	-	-	-	-	-	-	-	-
10	310	Power Generation Equipment	5.00%	-	-	-	80,000	-	8,322	86,449	(36,687)	123,136
11	311	Pumping Equipment	5.00%	34,628	-	34,628	388,411	-	141,316	2,649,420	280,702	2,368,718
12	320	Water Treatment Equipment	5.00%	-	-	-	-	-	31,253	625,070	225,339	399,730
13	320.1	Water Treatment Plants	5.00%	-	-	-	-	-	-	-	-	-
14	320.2	Solution Chemical Feeders	5.00%	-	-	-	-	-	424	8,475	940	7,535
15	330	Distribution Reservoirs & Standpipes	5.00%	-	-	-	-	-	-	-	-	-
16	330.1	Storage Tanks	5.00%	-	-	-	-	-	-	-	-	-
17	330.2	Pressure Tanks	5.00%	-	-	-	-	-	59,432	1,188,637	566,572	622,065
18	331	Transmission & Distribution Mains	5.00%	126,917	-	126,917	-	-	11,469	229,776	72,614	157,162
19	333	Services	5.00%	55,939	-	55,939	-	-	192,961	3,922,666	1,583,363	2,339,303
20	334	Meters	5.00%	52,551	-	52,551	-	-	61,876	1,265,496	461,249	804,247
21	335	Hydrants	5.00%	-	-	-	-	-	20,952	445,313	160,977	284,337
22	336	Backflow Prevention Devices	5.00%	-	-	-	-	-	25,008	500,162	217,566	282,575
23	338	Other Plant & Misc Equipment	5.00%	-	-	-	-	-	-	-	-	-
24	340	Office Furniture & Equipment	5.00%	-	-	-	-	-	1,337	26,730	3,295	23,435
25	340.1	Computers & Software	5.00%	-	-	-	-	-	4,969	99,386	(14,197)	113,574
26	341	Transportation Equipment	5.00%	-	-	-	-	-	-	-	-	-
27	342	Stores Equipment	5.00%	-	-	-	-	-	-	-	-	-
28	343	Tools, Shop & Garage Equipment	5.00%	-	-	-	-	-	-	-	-	-
29	344	Laboratory Equipment	5.00%	-	-	-	-	-	-	-	-	-
30	345	Power Operated Equipment	5.00%	-	-	-	-	-	2,887	53,748	26,309	27,440
31	346	Communication Equipment	5.00%	1,940	-	1,940	-	-	11,732	235,608	94,589	141,019
32	347	Miscellaneous Equipment	5.00%	4,437	-	4,437	-	-	837	18,604	(1,736)	20,339
33	348	Other Tangible Plant	5.00%	-	-	-	-	-	-	-	-	-
34		TOTAL		308,372	-	308,372	460,000	9,118	665,641	13,275,060	4,335,425	8,939,635

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate	2006				Depreciation (Calculated)	Plant Balance	Accum. Deprec.	Net Plant
				Plant Additions	Adjusted Plant	Unbooked Retirements	Adjusted Retirements				
1	301	Organization Cost	0.00%	-	-	-	-	-	-	-	-
2	302	Franchise Cost	0.00%	-	-	-	-	-	-	-	-
3	303	Land and Land Rights	0.00%	-	-	-	-	-	42,608	-	42,608
4	304	Structures & Improvements	5.00%	-	-	-	-	10,451	209,011	63,239	145,771
5	305	Collecting & Impounding Reservoirs	5.00%	-	-	-	-	-	-	-	-
6	306	Lake, River, Canal Intakes	5.00%	-	-	-	-	-	-	-	-
7	307	Wells & Springs	5.00%	-	-	-	-	83,384	1,967,882	725,085	942,797
8	308	Infiltration Galleries	5.00%	-	-	-	-	-	-	-	-
9	309	Raw Water Supply Mains	5.00%	-	-	-	-	-	-	-	-
10	310	Power Generation Equipment	5.00%	-	-	-	-	4,322	86,449	(32,364)	118,813
11	311	Pumping Equipment	5.00%	3,555	-	4,431	4,431	132,449	2,648,544	408,721	2,239,824
12	320	Water Treatment Equipment	5.00%	-	-	-	-	31,253	625,070	256,593	368,477
13	320.1	Water Treatment Plants	5.00%	-	-	-	-	-	-	-	-
14	320.2	Solution Chemical Feeders	5.00%	-	-	-	-	424	8,475	1,364	7,111
15	330	Distribution Reservoirs & Standpipes	5.00%	-	-	-	-	-	-	-	-
16	330.1	Storage Tanks	5.00%	-	-	-	-	59,432	1,188,637	628,004	560,633
17	330.2	Pressure Tanks	5.00%	-	-	-	-	11,489	229,776	84,103	145,673
18	331	Transmission & Distribution Mains	5.00%	-	-	-	-	202,765	4,185,515	1,786,086	2,399,427
19	333	Services	5.00%	282,829	282,829	-	-	65,816	1,367,228	527,067	840,160
20	334	Meters	5.00%	101,731	101,731	-	-	22,810	467,090	163,767	283,303
21	335	Hydrants	5.00%	21,777	21,777	-	-	25,726	528,893	243,313	285,581
22	336	Backflow Prevention Devices	5.00%	-	-	-	-	-	-	-	-
23	339	Other Plant & Misc Equipment	5.00%	-	-	-	-	1,337	26,730	4,632	22,098
24	340	Office Furniture & Equipment	5.00%	-	-	-	-	-	-	-	-
25	340.1	Computers & Software	5.00%	-	-	-	-	-	-	-	-
26	341	Transportation Equipment	5.00%	-	-	20,165	27,398	4,284	71,988	(37,301)	109,289
27	342	Stores Equipment	5.00%	-	-	-	-	-	-	-	-
28	343	Tools, Shop & Garage Equipment	5.00%	-	-	-	-	-	-	-	-
29	344	Laboratory Equipment	5.00%	-	-	-	-	-	-	-	-
30	345	Power Operated Equipment	5.00%	-	-	-	-	2,688	53,006	28,236	24,771
31	346	Communication Equipment	5.00%	-	-	742	742	11,780	235,608	106,369	129,238
32	347	Miscellaneous Equipment	5.00%	-	-	-	-	851	15,440	(4,049)	19,488
33	348	Other Tangible Plant	5.00%	-	-	3,164	3,164	-	-	-	-
34				-	-	-	-	-	-	-	-
35		TOTAL		418,623	418,623	20,165	35,724	671,195	13,657,849	4,970,886	8,687,063

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate	2007					Depreciation (Calculated)	Plant Balance	Accum. Deprec.	Net Plant
				Plant Additions	Plant Adjustments	Adjusted Plant	Plant Retirements	Unbooked Plant Retirements				
1	301	Organization Cost	0.00%	-	-	-	-	-	-	-	-	-
2	302	Franchise Cost	0.00%	-	-	-	-	-	-	-	-	-
3	303	Land and Land Rights	0.00%	-	-	-	-	-	-	-	-	-
4	304	Structures & Improvements	5.00%	-	-	-	-	-	-	42,608	-	42,608
5	305	Collecting & Impounding Reservoirs	5.00%	-	-	-	-	-	10,451	209,011	73,690	135,321
6	306	Lake, River, Canal Intakes	5.00%	-	-	-	-	-	-	-	-	-
7	307	Wells & Springs	5.00%	-	-	-	-	-	-	-	-	-
8	308	Infiltration Galleries	5.00%	-	-	-	-	-	-	-	-	-
9	309	Raw Water Supply Mains	5.00%	-	-	-	-	-	-	1,667,882	808,479	859,403
10	310	Power Generation Equipment	5.00%	-	-	-	-	-	-	-	-	-
11	311	Pumping Equipment	5.00%	-	-	-	-	-	-	-	-	-
12	320	Water Treatment Equipment	5.00%	38,963	-	38,963	-	-	4,322	86,449	(28,042)	114,491
13	320.1	Water Treatment Plants	5.00%	-	(337,223)	(337,223)	287,846	5,094	133,271	2,682,313	536,688	2,145,415
14	320.2	Solution Chemical Feeders	5.00%	-	-	-	-	-	31,254	-	-	-
15	330	Distribution Reservoirs & Standpipes	5.00%	-	-	-	-	-	-	-	-	-
16	330.1	Storage Tanks	5.00%	-	-	-	-	-	424	8,475	1,787	6,688
17	330.2	Pressure Tanks	5.00%	-	-	-	-	-	-	-	-	-
18	331	Transmission & Distribution Mains	5.00%	28,961	-	28,961	-	-	59,432	1,188,637	685,435	503,201
19	333	Services	5.00%	41,767	-	41,767	-	-	11,469	223,776	95,582	134,164
20	334	Meters	5.00%	12,424	-	12,424	-	-	210,000	4,214,476	1,996,088	2,218,388
21	335	Hydrants	5.00%	-	-	-	-	-	69,406	1,408,995	596,473	812,522
22	336	Backflow Prevention Devices	5.00%	-	-	-	-	-	23,665	479,514	207,452	272,062
23	339	Other Plant & Misc Equipment	5.00%	-	-	-	-	-	26,445	528,893	269,757	259,136
24	340	Office Furniture & Equipment	5.00%	3,262	-	3,262	-	-	-	-	-	-
25	340.1	Computers & Software	5.00%	-	-	-	-	-	1,418	29,992	6,050	23,942
26	341	Transportation Equipment	5.00%	2,600	-	2,600	-	-	-	-	-	-
27	342	Tools, Shop & Garage Equipment	5.00%	-	-	-	-	-	3,664	74,588	(33,636)	108,225
28	343	Laboratory Equipment	5.00%	-	-	-	-	-	-	-	-	-
29	344	Power Operated Equipment	5.00%	-	-	-	-	-	-	-	-	-
30	345	Communication Equipment	5.00%	-	-	-	-	-	-	-	-	-
31	346	Miscellaneous Equipment	5.00%	-	-	-	-	-	2,650	53,006	30,696	22,120
32	347	Other Tangible Plant	5.00%	-	-	-	-	-	11,780	235,608	118,150	117,458
33	348		5.00%	-	-	-	-	-	772	15,440	(3,277)	18,716
34				-	-	-	-	-	-	-	-	-
35		TOTAL		127,876	(337,223)	(209,347)	287,846	5,094	683,837	13,155,661	5,361,762	7,793,879

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate	2008											
				Plant Additions	Plant Adjustments	Adjusted Plant Additions	Plant Retirements	Unbooked Plant Retirements	Adjusted Plant Retirements	Salvage A/D Only	Depreciation (Calculated)	Plant Balance	Accum. Deprec.	Net Plant	
1	301	Organization Cost	0.00%	-	-	-	-	-	-	-	-	-	-	-	-
2	302	Franchise Cost	0.00%	-	-	-	-	-	-	-	-	-	-	-	-
3	303	Land and Land Rights	0.00%	-	-	-	-	-	-	-	-	-	42,608	-	42,608
4	304	Structures & Improvements	5.00%	14,275	-	14,275	-	-	-	-	-	10,807	223,286	84,497	138,789
5	305	Collecting & Impounding Reservoirs	5.00%	-	-	-	-	-	-	-	-	-	-	-	-
6	306	Lake, River, Canal Intakes	5.00%	-	-	-	-	-	-	-	-	-	-	-	-
7	307	Wells & Springs	5.00%	-	-	-	-	-	-	-	-	-	-	-	-
8	308	Infiltration Galleries	5.00%	-	-	-	-	-	-	-	-	83,394	1,667,882	891,873	776,009
9	309	Raw Water Supply Mains	5.00%	-	-	-	-	-	-	-	-	-	-	-	-
10	310	Power Generation Equipment	5.00%	-	-	-	-	-	-	-	-	4,322	86,449	(23,720)	110,168
11	311	Pumping Equipment	5.00%	22,544	-	22,544	-	-	10,684	10,684	-	134,412	2,694,173	660,626	2,033,546
12	320	Water Treatment Equipment	5.00%	-	-	-	-	-	-	-	-	-	-	-	-
13	320.1	Water Treatment Plants	5.00%	-	-	-	-	-	-	-	-	-	-	-	-
14	320.2	Solution Chemical Feeders	5.00%	-	-	-	-	-	-	-	-	-	-	-	-
15	330	Distribution Reservoirs & Standpipes	5.00%	-	-	-	-	-	-	-	-	-	-	-	-
16	330.1	Storage Tanks	5.00%	72,390	-	72,390	-	-	-	-	-	424	8,475	2,211	6,264
17	330.2	Pressure Tanks	5.00%	-	-	-	-	-	-	-	-	61,242	1,261,027	746,677	514,350
18	331	Transmission & Distribution Mains	5.00%	80,393	-	80,393	-	-	-	-	-	11,469	229,776	107,081	122,696
19	333	Services	5.00%	52,633	-	52,633	-	-	-	-	-	212,734	4,294,868	2,208,821	2,086,048
20	334	Meters	5.00%	-	-	-	-	-	-	-	-	71,766	1,461,628	668,239	793,389
21	335	Hydrants	5.00%	-	-	-	-	-	-	-	-	23,976	478,514	231,426	246,086
22	336	Backflow Prevention Devices	5.00%	-	-	-	-	-	-	-	-	26,445	528,893	296,202	232,691
23	339	Other Plant & Misc Equipment	5.00%	-	-	-	-	-	-	-	-	-	-	-	-
24	340	Office Furniture & Equipment	5.00%	3,600	-	3,600	-	-	3,860	3,860	-	1,493	29,732	3,863	26,049
25	340.1	Computers & Software	5.00%	-	-	-	-	-	-	-	-	3,728	74,588	(29,907)	104,495
26	341	Transportation Equipment	5.00%	-	-	-	-	-	-	-	-	-	-	-	-
27	342	Stores Equipment	5.00%	-	-	-	-	-	-	-	-	-	-	-	-
28	343	Tools, Shop & Garage Equipment	5.00%	-	-	-	-	-	-	-	-	-	-	-	-
29	344	Laboratory Equipment	5.00%	-	-	-	-	-	-	-	-	-	-	-	-
30	345	Power Operated Equipment	5.00%	-	-	-	-	-	-	-	-	2,650	53,006	33,536	19,470
31	346	Communication Equipment	5.00%	2,254	-	2,254	-	-	-	-	-	11,837	237,962	129,968	107,975
32	347	Miscellaneous Equipment	5.00%	12,324	-	12,324	-	-	-	-	-	1,080	27,763	(2,196)	29,960
33	348	Other Tangible Plant	5.00%	-	-	-	-	-	-	-	-	-	-	-	-
34				260,414	-	260,414	-	-	14,543	14,543	-	681,796	13,401,531	6,009,038	7,392,493
35		TOTAL													

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Line No.	NARUC Account No.	Description	Allowed Deprec. Rate	2009					Depreciation (Calculated)	Plant Balance	Accum. Deprec.	Net Plant
				Plant Additions	Plant Adjustments	Adjusted Plant Additions	Plant Retirements	Unbooked Plant Retirements				
1	301	Organization Cost	0.00%	-	-	-	-	-	-	-	-	-
2	302	Franchise Cost	0.00%	-	-	-	-	-	-	-	-	-
3	303	Land and Land Rights	0.00%	-	-	-	-	-	-	42,608	-	42,608
4	304	Structures & Improvements	5.00%	10,800	-	10,800	-	-	11,434	234,086	95,931	138,154
5	305	Collecting & Impounding Reservoirs	5.00%	-	-	-	-	-	-	-	-	-
6	306	Lake, River, Canal Intakes	5.00%	-	-	-	-	-	-	-	-	-
7	307	Walls & Springs	5.00%	-	-	-	-	-	83,394	1,887,862	975,267	682,815
8	308	Infiltration Galleries	5.00%	-	-	-	-	-	-	-	-	-
9	309	Raw Water Supply Mains	5.00%	-	-	-	-	-	-	-	-	-
10	310	Power Generation Equipment	5.00%	4,126	-	4,126	-	-	4,428	90,575	(19,294)	109,869
11	311	Pumping Equipment	5.00%	340,364	-	340,364	6,372	33,729	142,215	2,994,435	762,741	2,231,695
12	320	Water Treatment Equipment	5.00%	-	-	-	-	-	-	-	-	-
13	320.1	Water Treatment Plants	5.00%	-	-	-	-	-	-	-	-	-
14	320.2	Solution Chemical Feeders	5.00%	-	-	-	-	-	-	-	-	-
15	330	Distribution Reservoirs & Standpipes	5.00%	-	-	-	-	-	-	-	-	-
16	330.1	Storage Tanks	5.00%	-	-	-	-	-	-	-	-	-
17	330.2	Pressure Tanks	5.00%	219,099	-	219,099	-	-	68,529	1,480,126	815,206	664,920
18	331	Transmission & Distribution Mains	5.00%	-	-	-	-	-	11,489	228,776	118,569	111,207
19	333	Services	5.00%	-	-	-	-	-	214,743	4,294,869	2,423,565	1,871,304
20	334	Meters	5.00%	58,333	-	58,333	-	-	74,565	1,520,961	742,803	778,158
21	335	Hydrants	5.00%	4,062	-	4,062	-	-	24,077	483,575	255,505	228,070
22	336	Backflow Prevention Devices	5.00%	-	-	-	-	-	28,445	528,893	322,647	206,247
23	338	Other Plant & Misc Equipment	5.00%	-	-	-	-	-	-	-	-	-
24	340	Office Furniture & Equipment	5.00%	-	-	-	-	-	-	-	-	-
25	340.1	Computers & Software	5.00%	-	-	-	-	-	-	-	-	-
26	341	Transportation Equipment	5.00%	-	-	-	-	-	-	-	-	-
27	342	Stores Equipment	5.00%	-	-	-	-	-	-	-	-	-
28	343	Tools, Shop & Garage Equipment	5.00%	-	-	-	-	-	1,487	28,732	5,170	24,562
29	344	Laboratory Equipment	5.00%	-	-	-	-	-	3,729	74,588	(28,177)	100,766
30	345	Power Operated Equipment	5.00%	-	-	-	-	-	-	-	-	-
31	346	Communication Equipment	5.00%	1,368	-	1,368	-	-	2,650	53,006	36,167	16,820
32	347	Miscellaneous Equipment	5.00%	-	-	-	-	-	11,927	239,230	141,914	97,317
33	348	Other Tangible Plant	5.00%	-	-	-	-	-	1,388	27,763	(808)	26,955
34				-	-	-	-	-	-	-	-	-
35		TOTAL		639,152	-	639,152	6,372	33,729	682,922	14,000,553	6,651,859	7,348,723

Lago Del Oro Water Company

Test Year Ended December 31, 2012

Reconciliation of Plant Additions, Retirements and Accumulated Depreciation

Exhibit
Schedule B-2
Page 3.27
Witness: Jones/Bourassa

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate	2010				Savage A/D Only	Depreciation (Calculated)	Plant Balance	Accum. Deprec.	Net Plant
				Plant Additions	Adjusted Plant Additions	Plant Retirements	Unbooked Plant Retirements					
1	301	Organization Cost	0.00%	-	-	-	-	-	-	-	-	-
2	302	Franchise Cost	0.00%	-	-	-	-	-	-	-	-	-
3	303	Land and Land Rights	0.00%	-	-	-	-	-	-	-	-	-
4	304	Structures & Improvements	5.00%	2,872	2,872	-	-	-	11,776	42,808	107,708	42,808
5	305	Collecting & Impounding Reservoirs	5.00%	-	-	-	-	-	-	236,958	-	129,250
6	306	Lake, River, Canal Intakes	5.00%	-	-	-	-	-	-	-	-	-
7	307	Wells & Springs	5.00%	-	-	-	-	-	-	-	-	-
8	308	Initiation Galleries	5.00%	-	-	-	-	-	83,394	1,687,882	1,058,861	609,221
9	309	Raw Water Supply Mains	5.00%	-	-	-	-	-	-	-	-	-
10	310	Power Generation Equipment	5.00%	6,871	6,871	-	-	-	4,701	87,446	(14,594)	112,040
11	311	Pumping Equipment	5.00%	55,402	55,402	-	-	16,392	150,897	3,033,445	897,045	2,136,400
12	320	Water Treatment Plants	5.00%	-	-	-	-	-	-	-	-	-
13	320.1	Water Treatment Plants	5.00%	-	-	-	-	-	-	-	-	-
14	320.2	Solution Chemical Feeders	5.00%	-	-	-	-	-	-	-	-	-
15	330	Distribution Reservoirs & Standpipes	5.00%	-	-	-	-	-	-	-	-	-
16	330.1	Storage Tanks	5.00%	-	-	-	-	-	-	-	-	-
17	330.2	Pressure Tanks	5.00%	-	-	-	-	-	384	6,882	1,428	5,458
18	331	Transmission & Distribution Mains	5.00%	-	-	-	-	-	74,008	1,480,126	888,212	590,914
19	333	Services	5.00%	-	-	-	-	-	11,489	228,776	130,058	89,718
20	334	Meters	5.00%	33,135	33,135	-	-	-	214,743	4,284,869	2,638,308	1,656,561
21	335	Hydrants	5.00%	6,275	6,275	-	-	-	76,876	1,554,086	819,680	734,416
22	336	Backflow Prevention Devices	5.00%	-	-	-	-	-	24,336	489,850	279,840	210,010
23	339	Other Plant & Misc Equipment	5.00%	-	-	-	-	-	26,445	528,893	348,081	179,802
24	340	Office Furniture & Equipment	5.00%	-	-	-	-	-	-	-	-	-
25	340.1	Computers & Software	5.00%	-	-	-	-	-	-	-	-	-
26	341	Transportation Equipment	5.00%	-	-	-	-	-	-	-	-	-
27	342	Stores Equipment	5.00%	-	-	-	-	-	-	-	-	-
28	343	Tools, Shop & Garage Equipment	5.00%	-	-	-	-	-	1,487	29,732	6,856	23,076
29	344	Laboratory Equipment	5.00%	-	-	-	-	-	3,729	74,588	(22,448)	87,036
30	345	Power Operated Equipment	5.00%	2,780	2,780	-	-	-	-	-	-	-
31	346	Communication Equipment	5.00%	19,686	19,686	-	-	-	2,720	55,787	38,907	16,880
32	347	Miscellaneous Equipment	5.00%	-	-	-	-	-	12,454	258,918	154,367	104,548
33	348	Other Tangible Plant	5.00%	-	-	-	-	-	1,388	27,763	580	27,184
34				-	-	-	-	-	-	-	-	-
35		TOTAL		127,022	127,022	-	17,985	-	700,825	14,109,619	7,334,489	6,775,120

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate	2011				Salvage A/D Only	Depreciation (Calculated)	Plant Balance	Accum. Deprec.	Net Plant
				Plant Additions	Plant Adjustments	Adjusted Plant Additions	Unbooked Plant Retirements					
1	301	Organization Cost	0.00%	-	-	-	-	-	-	-	-	-
2	302	Franchise Cost	0.00%	-	-	-	-	-	-	-	-	-
3	303	Land and Land Rights	0.00%	-	-	-	-	-	-	42,608	-	42,608
4	304	Structures & Improvements	5.00%	-	-	-	-	-	11,848	236,958	119,555	117,402
5	305	Collecting & Impounding Reservoirs	5.00%	-	-	-	-	-	-	-	-	-
6	306	Lake, River, Canal Intakes	5.00%	-	-	-	-	-	-	-	-	-
7	307	Wells & Springs	5.00%	-	-	-	-	-	83,394	1,667,862	1,142,055	525,807
8	308	Infiltration Galleries	5.00%	-	-	-	-	-	-	-	-	-
9	309	Raw Water Supply Mains	5.00%	-	-	-	-	-	-	-	-	-
10	310	Power Generation Equipment	5.00%	-	-	-	-	-	4,872	97,448	(9,721)	107,167
11	311	Pumping Equipment	5.00%	21,287	-	21,287	-	-	152,099	3,050,532	1,044,945	2,005,588
12	320	Water Treatment Equipment	5.00%	-	-	-	4,200	-	-	-	-	-
13	320.1	Water Treatment Plants	5.00%	-	-	-	-	-	-	-	-	-
14	320.2	Solution Chemical Feeders	5.00%	-	-	-	-	-	-	-	-	-
15	330	Distribution Reservoirs & Standpipes	5.00%	4,055	-	4,055	-	-	448	10,937	1,872	9,066
16	330.1	Storage Tanks	5.00%	-	-	-	-	-	-	-	-	-
17	330.2	Pressure Tanks	5.00%	18,040	-	18,040	-	-	74,457	1,498,166	983,670	534,497
18	331	Transmission & Distribution Mains	5.00%	1,414	-	1,414	-	-	11,524	231,190	141,562	89,607
19	333	Services	5.00%	8,972	-	8,972	-	-	214,968	4,303,940	2,853,278	1,450,662
20	334	Meters	5.00%	25,911	-	25,911	-	-	78,353	1,580,007	888,032	681,975
21	335	Hydrants	5.00%	-	-	-	-	-	24,493	489,850	304,333	185,517
22	336	Backflow Prevention Devices	5.00%	-	-	-	-	-	26,445	528,893	375,536	153,357
23	338	Other Plant & Misc Equipment	5.00%	-	-	-	-	-	-	-	-	-
24	340	Office Furniture & Equipment	5.00%	1,106	-	1,106	-	-	1,514	30,838	8,170	22,668
25	340.1	Computers & Software	5.00%	-	-	-	-	-	-	-	-	-
26	341	Transportation Equipment	5.00%	-	-	-	8,137	-	3,528	66,451	(27,059)	93,511
27	342	Stores Equipment	5.00%	-	-	-	-	-	-	-	-	-
28	343	Tools, Shop & Garage Equipment	5.00%	-	-	-	-	-	-	-	-	-
29	344	Laboratory Equipment	5.00%	-	-	-	-	-	-	-	-	-
30	345	Power Operated Equipment	5.00%	-	-	-	-	-	2,789	55,787	41,696	14,091
31	346	Communication Equipment	5.00%	42,104	-	42,104	-	-	13,968	301,021	168,368	132,655
32	347	Miscellaneous Equipment	5.00%	-	-	-	-	-	1,388	27,763	1,988	25,795
33	348	Other Tangible Plant	5.00%	-	-	-	-	-	-	-	-	-
34				-	-	-	-	-	-	-	-	-
35		TOTAL		122,888	-	122,888	8,137	4,200	708,114	14,220,170	8,028,276	6,191,894

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate	2012												
				Plant Additions	Plant Adjustments	Adjusted Plant Additions	Plant Retirements	Unbooked Plant Retirements	Adjusted Plant Retirements	Ridgeview Plant Sharing Adj.	Salvage A/D Only	Settlement A/D Adjustment	Deprecation (Calculated)	Plant Balance	Accum. Deprec.	Net Plant
1	301	Organization Cost	0.00%	-	-	-	-	-	-	-	-	-	-	-	-	-
2	302	Franchise Cost	0.00%	-	-	-	-	-	-	-	-	-	-	-	-	-
3	303	Land and Land Rights	0.00%	-	-	-	-	-	-	-	-	-	-	42,608	-	42,608
4	304	Structures & Improvements	5.00%	144,358	-	144,358	-	-	-	(21,834)	(11,240)	18,508	15,457	359,881	140,281	219,401
5	305	Collecting & Impounding Reservoirs	5.00%	-	-	-	-	-	-	-	-	-	-	-	-	-
6	306	Lake, River, Canal Intakes	5.00%	-	-	-	-	-	-	-	-	-	-	-	-	-
7	307	Weirs & Springs	5.00%	496,541	-	496,541	-	-	-	-	-	74,481	95,808	2,164,423	1,312,344	852,079
8	308	Infiltration Galleries	5.00%	-	-	-	-	-	-	-	-	-	-	-	-	-
9	309	Raw Water Supply Mains	5.00%	-	-	-	-	-	-	-	-	-	-	-	-	-
10	310	Power Generation Equipment	5.00%	62,481	-	62,481	-	-	-	27,937	12,389	9,372	8,434	187,864	18,474	169,390
11	311	Pumping Equipment	5.00%	579,178	-	579,178	-	49,847	49,847	5,787	107,514	82,196	165,760	3,585,860	1,350,567	2,235,093
12	320	Water Treatment Equipment	5.00%	-	-	-	-	-	-	-	-	-	-	-	-	-
13	320.1	Water Treatment Plants	5.00%	-	-	-	-	-	-	-	-	-	-	-	-	-
14	320.2	Solution Chemical Feeders	5.00%	15,295	-	15,295	-	1,593	1,593	-	557	-	889	24,640	1,726	22,914
15	330	Distribution Reservoirs & Standpipes	5.00%	-	-	-	-	-	-	-	-	-	-	-	-	-
16	330.1	Storage Tanks	5.00%	323,184	-	323,184	-	-	-	(63,175)	(47,211)	48,478	82,988	1,756,175	1,047,925	710,250
17	330.2	Pressure Tanks	5.00%	93,850	-	93,850	-	-	-	(3,071)	(1,855)	13,387	13,906	321,969	187,020	154,949
18	331	Transmission & Distribution Mains	5.00%	1,778,965	-	1,778,965	-	-	-	-	-	747,934	253,691	6,083,805	3,860,901	2,222,904
19	333	Services	5.00%	308,734	-	308,734	-	-	-	-	-	79,877	86,719	1,868,741	1,084,728	824,013
20	334	Meters	5.00%	14,470	-	14,470	-	-	-	-	-	-	24,854	504,321	329,187	175,133
21	335	Hydrants	5.00%	189,964	-	189,964	-	-	-	-	-	60,726	31,194	718,857	467,456	251,401
22	336	Backflow Prevention Devices	5.00%	-	-	-	-	-	-	-	-	-	-	-	-	-
23	339	Other Plant & Misc. Equipment	5.00%	-	-	-	-	-	-	-	-	-	-	-	-	-
24	340	Office Furniture & Equipment	5.00%	5,920	-	5,920	-	-	-	-	-	-	1,690	36,758	8,860	26,898
25	340.1	Computers & Software	5.00%	-	-	-	-	-	-	-	-	-	-	-	-	-
26	341	Transportation Equipment	5.00%	23,118	-	23,118	-	-	-	-	-	-	3,901	89,569	(23,159)	112,728
27	342	Stores Equipment	5.00%	-	-	-	-	-	-	-	-	-	-	-	-	-
28	343	Laboratory Equipment	5.00%	-	-	-	-	-	-	-	-	-	-	-	-	-
29	344	Tools Shop & Garage Equipment	5.00%	-	-	-	-	-	-	-	-	-	-	-	-	-
30	345	Power Operated Equipment	5.00%	-	-	-	-	-	-	-	-	-	2,789	55,787	44,465	11,301
31	346	Communication Equipment	5.00%	53,658	-	53,658	-	-	-	(3,460)	(1,575)	3,529	16,392	351,219	186,713	164,506
32	347	Miscellaneous Equipment	5.00%	2,786	-	2,786	-	-	-	-	-	-	1,347	26,122	27,244	27,244
33	348	Other Tangible Plant	5.00%	-	-	-	-	4,437	4,437	-	-	-	-	-	-	-
34																
35		TOTAL		4,093,511	-	4,093,511	-	55,877	55,877	(57,606)	58,580	1,136,568	809,819	18,200,189	9,877,386	8,222,813
36																
37																
38																

Accumulated Depreciation

Line No.	Description	A	B	C	D	E	Proposed
		Adjusted Accum. Depr.	Purchased Plant A/D Adj.	Intentionally Left Blank	Adjustments to Reconcile A/D to Reconstruction	Intentionally Left Blank	Adjusted Accum. Depr.
1	Organization Cost	\$ -	\$ -	-	\$ -	-	\$ -
2	Franchise Cost	-	-	-	-	-	-
3	Land and Land Rights	-	-	-	-	-	-
4	Structures and Improvements	123,773	16,508	-	-	-	140,281
5	Collecting and Impounding Res.	-	-	-	-	-	-
6	Lake River and Other Intakes	-	-	-	-	-	-
7	Wells and Springs	1,237,863	74,481	-	-	-	1,312,344
8	Infiltration Galleries and Tunnels	-	-	-	-	-	-
9	Supply Mains	-	-	-	-	-	-
10	Power Generation Equipment	9,102	9,372	-	-	-	18,474
11	Electric Pumping Equipment	1,268,371	82,196	-	-	-	1,350,567
12	Water Treatment Plant	-	-	-	-	-	-
13	Chemical Solution Feeders	1,726	-	-	-	-	1,726
14	Dist. Reservoirs & Standpipe	-	-	-	-	-	-
15	Storage tanks	999,447	48,478	-	-	-	1,047,925
16	Pressure Tanks	153,633	13,387	-	-	-	167,020
17	Trans. and Dist. Mains	3,112,967	747,934	-	-	-	3,860,901
18	Services	984,751	79,977	-	-	-	1,064,728
19	Meters	329,187	-	-	-	-	329,187
20	Hydrants	406,730	60,726	-	-	-	467,456
21	Backflow Prevention Devices	-	-	-	-	-	-
22	Other Plant and Misc. Equip.	-	-	-	-	-	-
23	Office Furniture and Fixtures	9,860	-	-	-	-	9,860
24	Computers and Software	(23,159)	-	-	-	-	(23,159)
25	Transportation Equipment	-	-	-	-	-	-
26	Stores Equipment	-	-	-	-	-	-
27	Tools and Work Equipment	-	-	-	-	-	-
28	Laboratory Equipment	-	-	-	-	-	-
29	Power Operated Equipment	44,485	-	-	-	-	44,485
30	Communications Equipment	183,184	3,529	-	-	-	186,713
31	Miscellaneous Equipment	(1,121)	0	-	-	-	(1,121)
32	Other Tangible Plant	-	-	-	-	-	-
33	Loss on Plant Disposal	-	-	-	-	-	-
34	TOTALS	\$ 8,840,798	\$ 1,136,588	\$ -	\$ -	\$ -	\$ 9,977,386
35	Adjusted Accumulated Depreciation per Direct	\$ 8,840,798					\$ 8,840,798
36	Increase (decrease) in Accumulated Depreciation						\$ 1,136,588
37	Adjustment to Accumulated Depreciation						\$ 1,136,588

SUPPORTING SCHEDULES
B-2 pages 4.1, 4.2 and 4.3

Lago Del Oro Water Company
Test Year Ended December 31, 2012
Original Cost Rate Base Proforma Adjustments
Adjustment Number 2 - A

Exhibit
Rebuttal Schedule B-2
Page 4.1
Witness: Bourassa

Line

No.

1 A/D on Purchased Plant

2

3

4 Acct.

Original

5 No. Description

Cost

6 301 Organization Cost

-

7 302 Franchise Cost

-

8 303 Land and Land Rights

-

9 304 Structures and Improvements

16,508

10 305 Collecting and Impounding Res.

-

11 306 Lake River and Other Intakes

-

12 307 Wells and Springs

74,481

13 308 Infiltration Galleries and Tunnels

-

14 309 Supply Mains

-

15 310 Power Generation Equipment

9,372

16 311 Electric Pumping Equipment

82,196

17 320 Water Treatment Equipment

-

18 320.1 Water Treatment Plant

-

19 320.2 Chemical Solution Feeders

-

20 330 Dist. Reservoirs & Standpipe

-

21 330.1 Storage tanks

48,478

22 330.2 Pressure Tanks

13,387

23 331 Trans. and Dist. Mains

747,934

24 333 Services

79,977

25 334 Meters

-

26 335 Hydrants

60,726

27 336 Backflow Prevention Devices

-

28 339 Other Plant and Misc. Equip.

-

29 340 Office Furniture and Fixtures

-

30 340.1 Computers and Software

-

31 341 Transportation Equipment

-

32 342 Stores Equipment

-

33 343 Tools and Work Equipment

-

34 344 Laboratory Equipment

-

35 345 Power Operated Equipment

-

36 346 Communications Equipment

3,529

37 347 Miscellaneous Equipment

0

38 348 Other Tangible Plant

-

39 Plant Held for Future Use

-

40 TOTALS

\$ 1,136,588

41

42

43 SUPPORTING SCHEDULE

44 B-2, pages 3.1 through 3.2

45 B-2, pages 3.4 through 3.29

Lago Del Oro Water Company
Test Year Ended December 31, 2012
Original Cost Rate Base Proforma Adjustments
Adjustment Number 2 - B

Exhibit
Rebuttal Schedule B-2
Page 4.2
Witness: Bourassa

Line

No.

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Lago Del Oro Water Company
Test Year Ended December 31, 2012
Original Cost Rate Base Proforma Adjustments
Adjustment Number 2 - C

Exhibit
Rebuttal Schedule B-2
Page 4.3
Witness: Bourassa

Line No.						
1	<u>Reconciliation of A/D to A/D Reconstruction</u>					
2						
3		Adjusted		A/D		
4	Acct.	Original	B-2	Adjusted	A/D	Proposed
5	<u>No.</u> <u>Description</u>	<u>Cost</u>	<u>Adjustments</u>	<u>Original Cost</u>	<u>Per Reconstruction</u>	<u>A/D Adjustment</u>
6	301 Organization Cost	-	-	-	-	-
7	302 Franchise Cost	-	-	-	-	-
8	303 Land and Land Rights	-	-	-	-	-
9	304 Structures and Improvements	123,773	16,508	140,281	140,281	-
10	305 Collecting and Impounding Res.	-	-	-	-	-
11	306 Lake River and Other Intakes	-	-	-	-	-
12	307 Wells and Springs	1,237,863	74,481	1,312,344	1,312,344	-
13	308 Infiltration Galleries and Tunnels	-	-	-	-	-
14	309 Supply Mains	-	-	-	-	-
15	310 Power Generation Equipment	9,102	9,372	18,474	18,474	-
16	311 Electric Pumping Equipment	1,268,371	82,196	1,350,567	1,350,567	-
17	320 Water Treatment Equipment	-	-	-	-	-
18	320.1 Water Treatment Plant	-	-	-	-	-
19	320.2 Chemical Solution Feeders	1,726	-	1,726	1,726	-
20	330 Dist. Reservoirs & Standpipe	-	-	-	-	-
21	330.1 Storage tanks	999,447	48,478	1,047,925	1,047,925	-
22	330.2 Pressure Tanks	153,633	13,387	167,020	167,020	-
23	331 Trans. and Dist. Mains	3,112,967	747,934	3,860,901	3,860,901	-
24	333 Services	984,751	79,977	1,064,728	1,064,728	-
25	334 Meters	329,187	-	329,187	329,187	-
26	335 Hydrants	406,730	60,726	467,456	467,456	-
27	336 Backflow Prevention Devices	-	-	-	-	-
28	339 Other Plant and Misc. Equip.	-	-	-	-	-
29	340 Office Furniture and Fixtures	9,860	-	9,860	9,860	-
30	340.1 Computers and Software	-	-	-	-	-
31	341 Transportation Equipment	(23,159)	-	(23,159)	(23,159)	-
32	342 Stores Equipment	-	-	-	-	-
33	343 Tools and Work Equipment	-	-	-	-	-
34	344 Laboratory Equipment	-	-	-	-	-
35	345 Power Operated Equipment	44,485	-	44,485	44,485	-
36	346 Communications Equipment	183,184	3,529	186,713	186,713	-
37	347 Miscellaneous Equipment	(1,121)	0	(1,121)	(1,121)	-
38	348 Other Tangible Plant	-	-	-	-	-
39	Loss on Plant Disposal	-	-	-	-	-
40	TOTALS	\$ 8,840,798	\$ 1,136,588	\$ 9,977,386	\$ 9,977,386	\$ -

42
43 SUPPORTING SCHEDULE
44 B-2, pages 4.1 through 4.2
45 B-2, pages 3.4 through 3.29

Lago Del Oro Water Company
Test Year Ended December 31, 2012
Original Cost Rate Base Proforma Adjustments
Adjustment 3

Exhibit
Rebuttal Schedule B-2
Page 5
Witness: Bourassa

Contributions-in-Aid of Construction (CIAC) and Accumulated Amortization

Line

No.

1

2

3

4

5

Computed balance at 12/31/2012

Gross
CIAC
\$ 852,693

Accumulated
Amortization
\$ 469,879

6

7

Book balance at 12/31/2012

\$ 852,693

\$ 469,879

8

9

Increase (decrease)

\$ -

\$ -

10

11

12

Adjustment to CIAC/AA CIAC

\$ -

\$ -

13

Label

3a

3b

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SUPPORTING SCHEDULES

20

E-1

21

B-2, page 5.1 to 5.4

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Line No.		Balance 4/30/1988 Decision No. 58464					
		1988 (5-1-88 to 12-31-88)		1989		1990	
		Additions	Balance	Additions	Balance	Additions	Balance
7	CIAC	-	99,158	-	99,158	-	99,158
8	Amortization Rate						5.00%
9	Amortization (1/2 yr convention)		5.00%		5.00%		4,958
10	Accumulated Amortization		3,305		4,958		77,809
11			67,893		72,851		
12	Net CIAC	-	31,265	-	26,307	-	16,391
13							
14							
15							
16							
17							
18							
19							
20							
21	CIAC	-	99,158	-	99,158	7,301	106,459
22							128,152
23	Amortization Rate						5.00%
24	Amortization (1/2 yr convention)		5.00%		5.00%		5,865
25	Accumulated Amortization		4,958		4,958		108,646
26			87,725		97,641		
27	Net CIAC	-	11,433	-	1,517	7,301	3,678
28							19,506
29							

Lago Del Oro Water Company
 Test Year Ended December 31, 2012
 Original Cost Rate Base Proforma Adjustments
 Contributions-in-aid of Construction and Amortization
 Adjustment 4

Line
 No.

1997			1998			1999			2000			2001		
Additions	Balance		Additions	Balance		Additions	Balance		Additions	Balance		Additions	Balance	
	18,197	146,350	165,194	311,544	11,769	323,314	-	323,314	900	324,213				
CIAC														
Amortization Rate		5.00%		5.00%		5.00%		5.00%		5.00%				5.00%
Amortization (1/2 yr convention)		6,863		11,447		15,871		16,166		16,188				16,188
Accumulated Amortization		115,509		126,956		142,828		158,993		175,182				175,182
Net CIAC	18,197	30,841	165,194	184,588	11,769	180,486	-	164,320	900	149,032				
2002			2003			2004			2005			2006		
Additions	Balance		Additions	Balance		Additions	Balance		Additions	Balance		Additions	Balance	
	10,504	334,718	32,815	367,533	31,092	398,625	61,018	459,643	61,018	520,662				
CIAC														
Amortization Rate		5.00%		5.00%		5.00%		5.00%		5.00%				5.00%
Amortization (1/2 yr convention)		16,473		17,556		19,154		21,457		24,508				24,508
Accumulated Amortization		191,655		209,211		228,365		249,822		274,329				274,329
Net CIAC	10,504	143,063	32,815	158,322	31,092	170,260	61,018	209,821	61,018	246,332				

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Lago Del Oro Water Company
Test Year Ended December 31, 2012
Original Cost Rate Base Proforma Adjustments
Adjustment 4
Advances-in-Aid of Construction (AIAC)

Exhibit
Rebuttal Schedule B-2
Page 6
Witness: Bourassa

Line
No.

1		
2		
3		
4	Computed balance	\$ 297,640
5		
6	Adjusted balance at per Direct	<u>\$ 297,640</u>
7		
8	Increase (decrease)	\$ -
9		

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SUPPORTING SCHEDULES

E-1
Work papers

Lago Del Oro Water Company
 Test Year Ended December 31, 2012
 Original Cost Rate Base Proforma Adjustments
 Adjustment 5

Line No.	Deferred Income Tax as of December 31, 2012	Water & Sewer Adjusted Book Value	Water & Sewer Tax Value	Probability of Realization of Future Tax Benefit	Deductible TD (Taxable TD) Expected to be Realized	Effective Tax Rate	Future Tax Asset Current	Future Tax Asset Non Current	Future Tax Liability Current	Future Tax Liability Non Current
1										
2										
3										
4										
5										
6	Plant-in-Service	\$ 18,200,198 ¹								
7	Accum. Deprec.	(9,977,386) ¹								
8	CIAC	(591,162) ³								
9	Fixed Assets	\$ 7,631,650	\$ 6,887,424 ²	100.0%	\$ (744,227)	31.30%		-		(232,913)
10										
11	Fixed Assets	\$ 7,631,650	\$ 9,019,802 ²	100.0%	\$ 1,388,151	6.50%		90,230		-
12										
13	Fed & State AIAC		201,146 ⁴	100.0%	\$ 201,146 ⁴	37.80%	\$	76,025		
14										
15										
16										
17	Net Asset (Liability)						\$ -	\$ 166,255	\$ -	\$ (232,913)
18										
19							\$ (66,658)			
20	Adjusted DIT Asset (Liability) per Direct						\$ (279,359)			
21	Adjustment to DIT						\$ (212,701)			
22										
23										
24										
25										
26										
27										
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29										
30										
31										
32										
33										
34										
35										
36										
37										

Footnotes - See page 7.1

Line No.	Description	FEDERAL		STATE	
1	¹ Per adjusted book balances				
2	² Computation of Net Tax Value December 31, 2012				
3	Based on 2012 Tax Depreciation report (December 31, 2012)				
4	Unadjusted Cost at December 31, 2012 per federal and state tax depr. report	\$ 18,184,849	\$ 18,184,849		
5	Reconciling items not on tax report:				
6	Proposed Retirements per Direct	(620,248)	(620,248)		
7	Rebuttal proposed purchased plant adjustment	(1,136,588)	(1,136,588)		
8					
9					
10					
11	Net Unadjusted Cost tax Basis at December 31, 2012		\$ 16,428,014	\$ 16,428,014	
12					
13	Reductions				
14	Basis Reduction 2012 and Prior Years per federal and state tax depr. report	\$ (4,114,801)		\$ (1,676,786)	
15	Accumulated Depreciation 2012 and prior per federal and state tax depr. report	\$ (6,614,331)		\$ (6,919,967)	
16	Proposed Retirements per Direct	620,248		620,248	
17	Bonus Depreciation adjustment related to rebuttal adjusted purchased plant	568,294		568,294	
18					
19					
20					
21					
22	Net Reductions through December 31, 2012		(9,540,590)		(7,408,212)
23	Net tax value of plant-in-service at December 31, 2012		\$ 6,887,424		\$ 9,019,802
24					
25	³ CIAC (including impact of change to probability of realization)				
26	Gross CIAC per adjusted book balances	\$ 852,693			
27	CIAC reductions/additions	\$ (469,879)			
28	A.A per adjusted book balances				
29			(469,879)		
30					
31	Net CIAC before unrealized AIAC		\$ 382,814		
32					
33	Unrealized AIAC Component				
34	AIAC per adjusted book balances	\$ 297,640			
35	Adjusted Net AIAC (see footnote 5 below)	70.0%			
36	Unrealized AIAC Component % (1-Realized AIAC Component)		\$ 208,348		
37			\$ 591,162		
38	Total realizable CIAC				
39					
40	⁴ AIAC (including impact of change in probability of realization)				
41	AIAC per adjusted book balances	\$ 297,640			
42	Less: Unrealized AIAC (from Note 3, above)		\$ (208,348)		
43	Subtotal				
44	Meter and Service Line Installation Charges per adjusted book balances	\$ 89,292			
45	Total realizable AIAC		\$ 111,854		
46			\$ 201,146		
47					

Lago Del Oro Water Company
Test Year Ended December 31, 2012
Computation of Working Capital

Exhibit
Rebuttal Schedule B-5
Page 1
Witness: Bourassa

Line
No.

1	Cash Working Capital (1/8 of Allowance	
2	Operation and Maintenance Expense)	\$ 78,175
3	Pumping Power (1/24 of Pumping Power)	-
4	Purchased Water (1/24 of Purchased Water)	18,451
5	Prepaid Expenses	
6		
7		
8		
9	Total Working Capital Allowance	<u>\$ 96,626</u>
10		
11		
12	Working Capital Requested	<u>\$ -</u>
13		
14		
15		
16		
17		<u>Adjusted Test Year</u>
18	Total Operating Expense	\$ 1,937,076
19	Less:	
20	Income Tax	\$ (85,942)
21	Property Tax	93,667
22	Depreciation	861,127
23	Purchased Water	442,823
24	Pumping Power	-
25	Allowable Expenses	<u>\$ 625,401</u>
26	1/8 of allowable expenses	<u>\$ 78,175</u>
27		
28		
29	<u>SUPPORTING SCHEDULES:</u>	<u>RECAP SCHEDULES:</u>
30	E-1	B-1
31		
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Lago Del Oro Water Company
Test Year Ended December 31, 2012
Income Statement

Exhibit
Rebuttal Schedule C-1
Page 1
Witness: Bourassa

Line No.		Test Year Adjusted Results	Adjustment	Rebuttal Test Year Adjusted Results	Proposed Rate Increase	Rebuttal Adjusted with Rate Increase
1	Revenues					
2	Metered Water Revenues	\$ 1,865,121	\$ -	\$ 1,865,121	\$ 1,148,253	\$ 3,013,374
3	Unmetered Water Revenues	-	-	-	-	-
4	Other Water Revenues	17,117	-	17,117	-	17,117
5		<u>\$ 1,882,238</u>	<u>\$ -</u>	<u>\$ 1,882,238</u>	<u>\$ 1,148,253</u>	<u>\$ 3,030,491</u>
6	Operating Expenses					
7	Salaries and Wages	\$ 169,991	-	\$ 169,991	-	\$ 169,991
8	Employee Pensions and Benefits	35,228	-	35,228	-	35,228
9	Purchased Water	-	-	-	-	-
10	Purchased Power	442,823	-	442,823	-	442,823
11	Fuel For Power Production	-	-	-	-	-
12	Chemicals	21,969	-	21,969	-	21,969
13	Materials and Supplies	80,299	-	80,299	-	80,299
14	Office Supplies and Expense	66,431	-	66,431	-	66,431
15	Contractual Services - Engineering	-	-	-	-	-
16	Contractual Services - Accounting	533	8,000	8,533	-	8,533
17	Contractual Services - Legal	166	-	166	-	166
18	Contractual Services - Other	57,785	-	57,785	-	57,785
19	Contractual Services - Testing	22,433	5,392	27,825	-	27,825
20	Rents	9,435	-	9,435	-	9,435
21	Transportation Expenses	42,440	-	42,440	-	42,440
22	Insurance - Vehicle	5,165	-	5,165	-	5,165
23	Insurance - General Liability	20,083	-	20,083	-	20,083
24	Reg. Comm. Exp. - Other	855	-	855	-	855
25	Reg. Comm. Exp. - Rate Case	55,000	-	55,000	-	55,000
26	Bad Debt Expense	4,922	-	4,922	-	4,922
27	Miscellaneous Expense	19,274	-	19,274	-	19,274
28	Depreciation and Amortization Expense	861,127	-	861,127	-	861,127
29	Taxes Other Than Income	-	-	-	-	-
30	Property Taxes	98,597	(4,930)	93,667	19,635	113,302
31	Income Tax	(128,849)	42,906	(85,942)	426,572	340,629
32						
33	Total Operating Expenses	<u>\$ 1,885,708</u>	<u>\$ 51,368</u>	<u>\$ 1,937,076</u>	<u>\$ 446,207</u>	<u>\$ 2,383,283</u>
34	Operating Income	<u>\$ (3,470)</u>	<u>\$ (51,368)</u>	<u>\$ (54,838)</u>	<u>\$ 702,046</u>	<u>\$ 647,208</u>
35	Other Income (Expense)					
36	Interest Income	-	-	-	-	-
37	Other income	-	-	-	-	-
38	Interest Expense	(204,322)	106,088	(98,234)	-	(98,234)
39	Other Expense	-	-	-	-	-
40						
41	Total Other Income (Expense)	<u>\$ (204,322)</u>	<u>\$ 106,088</u>	<u>\$ (98,234)</u>	<u>\$ -</u>	<u>\$ (98,234)</u>
42	Net Profit (Loss)	<u><u>\$ (207,792)</u></u>	<u><u>\$ 54,720</u></u>	<u><u>\$ (153,072)</u></u>	<u><u>\$ 702,046</u></u>	<u><u>\$ 548,975</u></u>

SUPPORTING SCHEDULES:

C-1, page 2

E-2

RECAP SCHEDULES:

A-1

Lago Del Oro Water Company
Test Year Ended December 31, 2012
Income Statement

Exhibit
Rebuttal Schedule C-1
Page 2.1
Witness: Bourassa

Line No.		1 Test Year Adjusted Results	2 Property Taxes	3 Staff Water Testing Adjustment	4 Financial Audit Costs	5 Water Testing
1	Revenues					
2	Metered Water Revenues	\$ 1,865,121				
3	Unmetered Water Revenues	-				
4	Other Water Revenues	17,117				
5		\$ 1,882,238	\$ -	\$ -	\$ -	\$ -
6	Operating Expenses					
7	Salaries and Wages	\$ 169,991				
8	Employee Pensions and Benefits	35,228				
9	Purchased Water	-				
10	Purchased Power	442,823				
11	Fuel For Power Production	-				
12	Chemicals	21,969				
13	Materials and Supplies	80,299				
14	Office Supplies and Expense	66,431				
15	Contractual Services - Engineering	-			8,000	
16	Contractual Services - Accounting	533				
17	Contractual Services - Legal	166				
18	Contractual Services - Other	57,785				
19	Contractual Services - Testing	22,433		(548)		5,940
20	Rents	9,435				
21	Transportation Expenses	42,440				
22	Insurance - Vehicle	5,165				
23	Insurance - General Liability	20,083				
24	Reg. Comm. Exp. - Other	855				
25	Reg. Comm. Exp. - Rate Case	55,000				
26	Bad Debt Expense	4,922				
27	Miscellaneous Expense	19,274				
28	Depreciation and Amortization Expense	861,127				
29	Taxes Other Than Income	-				
30	Property Taxes	-	(4,930)			
31	Income Tax	98,597				
32		(128,849)				
33	Total Operating Expenses	\$ 1,885,708	\$ -	\$ (4,930)	\$ 8,000	\$ 5,940
34	Operating Income	\$ (3,470)	\$ -	\$ 548	\$ (8,000)	\$ (5,940)
35	Other Income (Expense)					
36	Interest Income	-				
37	Other Income	-				
38	Interest Expense	(204,322)				
39	Other Expense	-				
40						
41	Total Other Income (Expense)	\$ (204,322)	\$ -	\$ -	\$ -	\$ -
42	Net Profit (Loss)	\$ (207,792)	\$ -	\$ 4,930	\$ (8,000)	\$ (5,940)

SUPPORTING SCHEDULES:
C-2
E-2

Lago Del Oro Water Company
Test Year Ended December 31, 2012
Income Statement

Exhibit
Rebuttal Schedule C-1
Page 2.2
Witness: Bourassa

Line No.		6	Interest Synch.	7	Income Taxes	8	Intentionally Left Blank	9	Intentionally Left Blank	10	Intentionally Left Blank	Rebuttal Test Year Adjusted Results	Proposed Rate Increase	Rebuttal Adjusted with Rate Increase
1	Revenues													
2	Metered Water Revenues											\$ 1,865,121	\$ 1,148,253	\$ 3,013,374
3	Unmetered Water Revenues													
4	Other Water Revenues											17,117		17,117
5		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,882,238	\$ 1,148,253	\$ 3,030,491
6	Operating Expenses													
7	Salaries and Wages											\$ 169,991	\$	\$ 169,991
8	Employee Pensions and Benefits											35,228		35,228
9	Purchased Water													
10	Purchased Power											442,823		442,823
11	Fuel For Power Production													
12	Chemicals													
13	Materials and Supplies											21,969		21,969
14	Office Supplies and Expense											80,299		80,299
15	Contractual Services - Engineering											66,431		66,431
16	Contractual Services - Accounting													
17	Contractual Services - Legal													
18	Contractual Services - Other													
19	Contractual Services - Testing													
20	Rents											8,533		8,533
21	Transportation Expenses											166		166
22	Insurance - Vehicle											57,785		57,785
23	Insurance - General Liability											27,825		27,825
24	Reg. Comm. Exp. - Other											9,435		9,435
25	Reg. Comm. Exp. - Rate Case											42,440		42,440
26	Bad Debt Expense											5,165		5,165
27	Miscellaneous Expense											20,083		20,083
28	Depreciation and Amortization Expense											855		855
29	Taxes Other Than Income											55,000		55,000
30	Property Taxes											4,922		4,922
31	Income Tax											19,274		19,274
32					42,906							861,127		861,127
33	Total Operating Expenses											93,667	19,635	113,302
34	Operating Income				\$ 42,906	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,937,076	\$ 446,207	\$ 2,383,283
35	Other Income (Expense)				(42,906)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	(54,838)	\$ 702,046	\$ 647,208
36	Interest Income													
37	Other Income													
38	Interest Expense													
39	Other Expense													
40														
41	Total Other Income (Expense)													
42	Net Profit (Loss)	\$ 106,088	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	(98,234)	\$ -	(98,234)
43														
44														
45														
46														

RECAP SCHEDULES:
C-1, page 1

SUPPORTING SCHEDULES:
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Lago Del Oro Water Company
Test Year Ended December 31, 2012
Adjustments to Revenues and Expenses

Exhibit
Rebuttal Schedule C-2
Page 1
Witness: Bourassa

Line No.	<u>Adjustments to Revenues and Expenses</u>						
	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>6</u>	
	<u>Depreciation</u>	<u>Property Taxes</u>	<u>Water Testing Expense</u>	<u>Outside Financial Audit Costs</u>	<u>Additional Water Testing Expense</u>	<u>Intentionally Left Blank</u>	<u>Subtotal</u>
4 Revenues							-
6 Expenses	-	(4,930)	(548)	8,000	5,940	-	8,462
8 Operating Income	-	4,930	548	(8,000)	(5,940)	-	(8,462)
11 Interest Expense							-
13 Other Income / Expense							-
17 Net Income	-	4,930	548	(8,000)	(5,940)	-	(8,462)
	<u>Adjustments to Revenues and Expenses</u>						
	<u>7</u>	<u>8</u>	<u>9</u>	<u>10</u>	<u>11</u>	<u>12</u>	
	<u>Intentionally Left Blank</u>	<u>Intentionally Left Blank</u>	<u>Intentionally Left Blank</u>	<u>Intentionally Left Blank</u>	<u>Intentionally Left Blank</u>	<u>Intentionally Left Blank</u>	<u>Subtotal</u>
24 Revenues							-
27 Expenses	-	-	-	-	-	-	8,462
29 Operating Income	-	-	-	-	-	-	(8,462)
32 Interest Expense	-						-
34 Other Income / Expense							-
38 Net Income	-	-	-	-	-	-	(8,462)
	<u>Adjustments to Revenues and Expenses</u>						
	<u>13</u>	<u>14</u>	<u>15</u>	<u>16</u>	<u>17</u>	<u>18</u>	<u>Total</u>
	<u>Intentionally Left Blank</u>	<u>Intentionally Left Blank</u>	<u>Interest Synch.</u>	<u>Income Taxes</u>			
46 Revenues							-
48 Expenses	-			42,906			51,368
50 Operating Income	-	-	-	(42,906)	-	-	(51,368)
53 Interest Expense			106,088				106,088
55 Other Income / Expense		-					-
59 Net Income	-	-	106,088	(42,906)	-	-	54,720

Lago Del Oro Water Company
Test Year Ended December 31, 2012
Adjustments to Revenues and Expenses
Adjustment Number 1

Exhibit
Rebuttal Schedule C-2
Page 2
Witness: Bourassa

Depreciation Expense

Line

<u>No.</u>	<u>Acct.</u>	<u>Description</u>	<u>Original Cost</u>	<u>Non-Depr. or Fully Depr. Plant</u>	<u>Adjusted Original Cost</u>	<u>Proposed Rates</u>	<u>Depreciation Expense</u>
1							
2							
3							
4							
5	301	Organization Cost	\$ -		\$ -	0.00%	\$ -
6	302	Franchise Cost	-		-	0.00%	-
7	303	Land and Land Rights	42,608	(42,608)	-	0.00%	-
8	304	Structures and Improvements	359,681		359,681	3.33%	11,977
9	305	Collecting and Impounding Res.	-		-	2.50%	-
10	306	Lake River and Other Intakes	-		-	2.50%	-
11	307	Wells and Springs	2,164,423		2,164,423	3.33%	72,075
12	308	Infiltration Galleries and Tunnels	-		-	6.67%	-
13	309	Supply Mains	-		-	2.00%	-
14	310	Power Generation Equipment	187,864		187,864	5.00%	9,393
15	311	Electric Pumping Equipment	3,585,660		3,585,660	12.50%	448,207
16	320	Water Treatment Equipment	-		-	3.33%	-
17	320.1	Water Treatment Plant	-		-	3.33%	-
18	320.2	Chemical Solution Feeders	24,640		24,640	20.00%	4,928
19	330	Dist. Reservoirs & Standpipe	-		-	2.22%	-
20	330.1	Storage tanks	1,758,175		1,758,175	2.22%	39,031
21	330.2	Pressure Tanks	321,969		321,969	5.00%	16,098
22	331	Trans. and Dist. Mains	6,083,805		6,083,805	2.00%	121,676
23	333	Services	1,888,741		1,888,741	3.33%	62,895
24	334	Meters	504,321		504,321	8.33%	42,010
25	335	Hydrants	718,857		718,857	2.00%	14,377
26	336	Backflow Prevention Devices	-		-	6.67%	-
27	339	Other Plant and Misc. Equip.	-		-	6.67%	-
28	340	Office Furniture and Fixtures	36,758		36,758	6.67%	2,452
29	340.1	Computers and Software	-		-	20.00%	-
30	341	Transportation Equipment	89,569		89,569	20.00%	17,914
31	342	Stores Equipment	-		-	4.00%	-
32	343	Tools and Work Equipment	-		-	5.00%	-
33	344	Laboratory Equipment	-		-	10.00%	-
34	345	Power Operated Equipment	55,787		55,787	5.00%	2,789
35	346	Communications Equipment	351,219		351,219	10.00%	35,122
36	347	Miscellaneous Equipment	26,122		26,122	10.00%	2,612
37	348	Other Tangible Plant	-		-	10.00%	-
38		TOTALS	\$ 18,200,199	\$ (42,608)	\$ 18,157,591		\$ 903,558
39							
40							
41		Less: Amortization of Contributions			Gross CIAC \$ 852,693	Amort. Rate 4.9762%	\$ (42,432)
42							-
43							-
44					\$ -		\$ (42,432)
45		Total Depreciation Expense					\$ 861,127
46							
47		Adjusted Test Year Depreciation Expense					861,127
48							
49		Increase (decrease) in Depreciation Expense					\$ -
50							
51		Adjustment to Revenues and/or Expenses					\$ -
52							
53		<u>SUPPORTING SCHEDULE</u>					
54		B-2, page 3					

*Fully Depreciated/Amortized

Lago Del Oro Water Company
Test Year Ended December 31, 2012
Adjustment to Revenues and Expenses
Adjustment Number 2

Exhibit
Rebuttal Schedule C-;
Page 3
Witness: Bourassa

Property Taxes

Line No.	DESCRIPTION	Test Year as adjusted	Company Recommended
1	Company Adjusted Test Year Revenues	\$ 1,882,238	\$ 1,882,238
2	Weight Factor	2	2
3	Subtotal (Line 1 * Line 2)	3,764,476	3,764,476
4	Company Recommended Revenue	1,882,238	3,030,491
5	Subtotal (Line 4 + Line 5)	5,646,713	6,794,967
6	Number of Years	3	3
7	Three Year Average (Line 5 / Line 6)	1,882,238	2,264,989
8	Department of Revenue Multiplier	2	2
9	Revenue Base Value (Line 7 * Line 8)	3,764,476	4,529,978
10	Plus: 10% of CWIP (intentionally excluded)	-	-
11	Less: Net Book Value of Licensed Vehicles	112,728	112,728
12	Full Cash Value (Line 9 + Line 10 - Line 11)	3,651,748	4,417,250
13	Assessment Ratio	19.0%	19.0%
14	Assessment Value (Line 12 * Line 13)	693,832	839,278
15	Composite Property Tax Rate - Obtained from ADOR	13.5000%	13.5000%
16	Test Year Adjusted Property Tax Expense (Line 14 * Line 15)	\$ 93,667	\$ 113,302
17	Tax on Parcels	-	-
18	Total Property Taxes (Line 16 + Line 17)	\$ 93,667	
19	Test Year Property Taxes	\$ 98,597	
20	Adjustment to Test Year Property Taxes (Line 18 - Line 19)	\$ (4,930)	
21			
22	Property Tax on Company Recommended Revenue (Line 16 + Line 17)		\$ 113,302
23	Company Test Year Adjusted Property Tax Expense (Line 18)		\$ 93,667
24	Increase in Property Tax Due to Increase in Revenue Requirement		\$ 19,635
25			
26	Increase in Property Tax Due to Increase in Revenue Requirement (Line 24)		\$ 19,635
27	Increase in Revenue Requirement		\$ 1,148,253
28	Increase in Property Tax Per Dollar Increase in Revenue (Line 26 / Line 27)		1.71000%
29			
30			
31			
32			
33			
34			
35			
36			
37			
38			
39			
40			

Lago Del Oro Water Company
Test Year Ended December 31, 2012
Adjustment to Revenues and Expenses
Adjustment Number 3

Exhibit
Rebuttal Schedule C-2
Page 4
Witness: Bourassa

Water Testing Expense

Line
No.

1		
2		
3	Staff Recommended Water Testing Expense	\$ 21,885
4		
5	Adjusted Text Year Water Testing Expense	\$ 22,433
6	Increase(decrease) Rate Case Expense	<u>\$ (548)</u>
7		
8	Adjustment to Revenue and/or Expense	<u>\$ (548)</u>
9		
10		
11		
12		
13		
14		
15		
16		
17		
18		
19	<u>Reference</u>	
20	Staf Adjustment 1	

Lago Del Oro Water Company
Test Year Ended December 31, 2012
Adjustment to Revenues and Expenses
Adjustment Number 4

Exhibit
Rebuttal Schedule C-2
Page 5
Witness: Bourassa

Outside Audit Costs

Line
No.

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20

Costs for required annual audits related to debt financing \$ 8,000

Adjustment to Contractual Services - Accounting \$ 8,000

Adjustment to Revenue and/or Expense \$ 8,000

SUPPORTING SCHEDULES

Testimony

Lago Del Oro Water Company
Test Year Ended December 31, 2012
Adjustment to Revenues and Expenses
Adjustment Number 5

Exhibit
Rebuttal Schedule C-2
Page 6
Witness: Bourassa

Water Testing Expense

Line
No.

1

2

3

4

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17

18

19

20

EPA Unregulated Contaminant Monitoring Required Testing Rule 3

\$ 32,280

LDO allocattion

92.00%

LDO allocated share of costs

\$ 29,698

Amortization period (years)

5

Annual Amortization of Testing Expoense

\$ 5,940

Adjustment to Revenue and/or Expense

\$ 5,940

SUPPORTING SCHEDULES

Testimony

Lago Del Oro Water Company
 Test Year Ended December 31, 2012
 Adjustment to Revenues and Expenses
 Adjustment Number 6

Exhibit
 Rebuttal Schedule C-2
 Page 7
 Witness: Bourassa

Interest Synchronization

Line
No.

1			
2			
3			
4	Fair Value Rate Base	\$ 7,363,846	
5	Weighted Cost of Debt	1.33%	
6	Interest Expense		\$ 98,234
7			
8	Test Year Interest Expense		<u>\$ 204,322</u>
9			
10	Increase (decrease) in Interest Expense		(106,088)
11			
12			
13			
14	Adjustment to Revenue and/or Expense		<u><u>\$ 106,088</u></u>

15			
16			
17	<u>Weighted Cost of Debt Computation</u>		
18			
19		<u>Percent</u>	<u>Cost</u>
20	Debt	29.00%	4.60%
21	Equity	71.00%	10.50%
22	Total	100.00%	8.79%
23			
24			
25			
26			
27			
28			
29			
30			

Lago Del Oro Water Company
Test Year Ended December 31, 2012
Adjustment to Revenues and/or Expenses
Adjustment Number 7

Exhibit
Rebuttal Schedule C-2
Page 8
Witness: Bourassa

Line
No.

1 Income Taxes

2

3

4 Computed Income Tax

5 Test Year Income tax Expense

6 Adjustment to Income Tax Expense

7

8

9

10

11

12

13 SUPPORTING SCHEDULE

14 C-3, page 2

15

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	Test Year at Present Rates	Test Year at Proposed Rates
	\$ (85,942)	\$ 340,629
	(128,849)	(85,942)
	<u>\$ 42,906</u>	<u>\$ 426,572</u>

Lago Del Oro Water Company
Test Year Ended December 31, 2012
Computation of Gross Revenue Conversion Factor

Exhibit
Rebuttal Schedule C-3
Page 1
Witness: Bourassa

Line No.	Description	Percentage of Incremental Gross Revenues
1	Combined Federal and State Effective Income Tax Rate	37.796%
2		
3	Property Taxes	1.064%
4		
5		
6	Total Tax Percentage	38.860%
7		
8	Operating Income % = 100% - Tax Percentage	61.140%
9		
10		
11		
12		
13	<u>1</u> = Gross Revenue Conversion Factor	
14	Operating Income %	1.6356
15		
16		
17		
18		
19		
20		
21		
22		
23		
24		
25	<u>SUPPORTING SCHEDULES:</u>	<u>RECAP SCHEDULES:</u>
26	C-3, page 2	A-1
27		
28		
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GROSS REVENUE CONVERSION FACTOR

Line No.	Description	(A)	(B)	(C)	(D)	(E)	(F)
<u>Calculation of Gross Revenue Conversion Factor</u>							
1	Revenue	100.0000%					
2	Uncollectible Factor (Line 11)	0.0000%					
3	Revenues (L1 - L2)	100.0000%					
4	Combined Federal and State Income Tax and Property Tax Rate (Line 23)	38.8596%					
5	Subtotal (L3 - L4)	61.1404%					
6	Revenue Conversion Factor (L1 / L5)	1.635580					
<u>Calculation of Uncollectible Factor</u>							
7	Unity	100.0000%					
8	Combined Federal and State Tax Rate (L17)	37.7959%					
9	One Minus Combined Income Tax Rate (L7 - L8)	62.2041%					
10	Uncollectible Rate	0.0000%					
11	Uncollectible Factor (L9 * L10)		0.0000%				
<u>Calculation of Effective Tax Rate</u>							
12	Operating Income Before Taxes (Arizona Taxable Income)	100.0000%					
13	Arizona State Income Tax Rate	6.5000%					
14	Federal Taxable Income (L12 - L13)	93.5000%					
15	Applicable Federal Income Tax Rate (L55 Col F)	33.4716%					
16	Effective Federal Income Tax Rate (L14 * L15)	31.2959%					
17	Combined Federal and State Income Tax Rate (L13 + L16)		37.7959%				
<u>Calculation of Effective Property Tax Factor</u>							
18	Unity	100.0000%					
19	Combined Federal and State Income Tax Rate (L17)	37.7959%					
20	One Minus Combined Income Tax Rate (L18 - L19)	62.2041%					
21	Property Tax Factor	1.7100%					
22	Effective Property Tax Factor (L20 * L21)		1.0637%				
23	Combined Federal and State Income Tax and Property Tax Rate (L17 + L22)			38.8596%			
24	Required Operating Income	\$ 647,208					
25	Adjusted Test Year Operating Income (Loss)	\$ (54,838)					
26	Required Increase in Operating Income (L24 - L25)		\$ 702,046				
27	Income Taxes on Recommended Revenue (Col. (F), L52)	\$ 340,629					
28	Income Taxes on Test Year Revenue (Col. (C), L52)	\$ (85,942)					
29	Required Increase in Revenue to Provide for Income Taxes (L27 - L28)		\$ 426,572				
30	Recommended Revenue Requirement	\$ 3,030,491					
31	Uncollectible Rate (Line 10)	0.0000%					
32	Uncollectible Expense on Recommended Revenue (L24 * L25)	\$ -					
33	Adjusted Test Year Uncollectible Expense	\$ -					
34	Required Increase in Revenue to Provide for Uncollectible Exp.		\$ -				
35	Property Tax with Recommended Revenue	\$ 113,302					
36	Property Tax on Test Year Revenue	\$ 93,667					
37	Increase in Property Tax Due to Increase in Revenue (L35-L36)		\$ 19,635				
38	Total Required Increase in Revenue (L26 + L29 + L37)		\$ 1,148,253				

	(A)	(B)	(C)	(D)	(E)	(F)
<u>Calculation of Income Tax</u>						
39	Revenue	\$ 1,882,238	\$ 1,882,238	\$ 3,030,491		\$ 3,030,491
40	Operating Expenses Excluding Income Taxes	2,023,018	2,023,018	2,042,653		2,042,653
41	Synchronized Interest (L47)	98,234	98,234	98,234		98,234
42	Arizona Taxable Income (L39 - L40 - L41)	\$ (239,014)	\$ (239,014)	\$ 889,605		\$ 889,604
43	Arizona State Effective Income Tax Rate (see work papers)	6.5000%	6.5000%	6.5000%		6.5000%
44	Arizona Income Tax (L42 * L43)	\$ (15,536)	\$ (15,536)	\$ 57,824		\$ 57,824
45	Federal Taxable Income (L42 - L44)	\$ (223,478)	\$ (223,478)	\$ 831,781		\$ 831,780
46						
47	Federal Tax on First Income Bracket (\$1 - \$50,000) @ 15%	\$ (7,500)	\$ (7,500)	\$ 7,500		\$ 7,500
48	Federal Tax on Second Income Bracket (\$50,001 - \$75,000) @ 25%	\$ (6,250)	\$ (6,250)	\$ 6,250		\$ 6,250
49	Federal Tax on Third Income Bracket (\$75,001 - \$100,000) @ 34%	\$ (8,500)	\$ (8,500)	\$ 8,500		\$ 8,500
50	Federal Tax on Fourth Income Bracket (\$100,001 - \$335,000) @ 39%	\$ (48,156)	\$ (48,156)	\$ 91,650		\$ 91,650
51	Federal Tax on Fifth Income Bracket (\$335,001 - \$10,000,000) @ 34%	\$ -	\$ -	\$ 168,905		\$ 168,905
52						
53	Total Federal Income Tax	\$ (70,406)	\$ (70,406)	\$ 282,805		\$ 282,805
54	Combined Federal and State Income Tax (L35 + L42)	\$ (85,942)	\$ (85,942)	\$ 340,630		\$ 340,629
55	COMBINED Applicable Federal Income Tax Rate [Col. (D), L53 - Col. (A), L53] / [Col. (D), L45 - Col. (A), L45]			33.4716%		
56	WASTEWATER Applicable Federal Income Tax Rate [Col. (E), L53 - Col. (B), L53] / [Col. (E), L45 - Col. (B), L45]				0.0000%	
57	WATER Applicable Federal Income Tax Rate [Col. (F), L53 - Col. (C), L53] / [Col. (F), L45 - Col. (C), L45]					33.4716%

Calculation of Interest Synchronization

58	Rate Base	\$ 7,363,846
59	Weighted Average Cost of Debt	1.3340%
60	Synchronized Interest (L59 X L60)	\$ 98,234

Lago Del Oro Water Company
Revenue Summary
Test Year Ended December 31, 2012

Exhibit
Rebuttal Schedule H-1
Page 1
Witness: Bourassa

Line No.	Meter Size	Classification	Total Revenues at Present Rates	Total Revenues at Proposed Rates	Dollar Change	Percent Change	Percent of Present Water Revenues	Percent of Proposed Water Revenues
1	5/8x3/4 Inch	Residential	\$ 1,576,999	\$ 2,419,025	\$ 842,026	53.39%	83.78%	79.82%
2	3/4 Inch	Residential	35,011	57,126	22,114	63.16%	1.86%	1.89%
3	1 Inch	Residential	20,819	36,336	15,518	74.54%	1.11%	1.20%
4	1 1/2 Inch	Residential	1,651	2,999	1,348	81.61%	0.09%	0.10%
5	2 Inch	Residential	9,934	19,649	9,715	97.79%	0.53%	0.65%
6								
7	5/8x3/4 Inch	Commercial	\$ -	\$ -	\$ -	0.00%	0.00%	0.00%
8	3/4 Inch	Commercial	6,728	10,623	3,895	57.89%	0.36%	0.35%
9	1 Inch	Commercial	25,016	54,114	29,098	116.32%	1.33%	1.79%
10	1 1/2 Inch	Commercial	6,996	12,890	5,894	84.25%	0.37%	0.43%
11	2 Inch	Commercial	37,067	75,211	38,144	102.91%	1.97%	2.48%
12	3 Inch	Commercial	5,924	12,538	6,614	111.66%	0.31%	0.41%
13	6 Inch	Commercial	30,305	72,585	42,279	139.51%	1.61%	2.40%
14								
15	5/8x3/4 Inch	Irrigation	\$ -	\$ -	\$ -	0.00%	0.00%	0.00%
16	3/4 Inch	Irrigation	2,052	3,517	1,465	71.38%	0.11%	0.12%
17	1 Inch	Irrigation	1,370	2,559	1,189	86.79%	0.07%	0.08%
18	1 1/2 Inch	Irrigation	410	789	379	92.51%	0.02%	0.03%
19	2 Inch	Irrigation	37,490	75,232	37,743	100.67%	1.99%	2.48%
20	3 Inch	Irrigation	4,044	8,329	4,285	105.98%	0.21%	0.27%
21	4 Inch	Irrigation	1,047	3,106	2,059	196.71%	0.06%	0.10%
22								
23	Golf Course	Irrigation	\$ 59,823	\$ 142,232	\$ 82,409	137.75%	3.18%	4.69%
24								
25	5/8x3/4 Inch	Hydrant/Construction	\$ 1,750	\$ 2,611	\$ 861	49.21%	0.09%	0.09%
26								
27	Subtotals of Revenues		\$ 1,864,436	\$ 3,011,471	\$ 1,147,035	61.52%	99.05%	99.37%
28								
29	Revenue Annualizations:							
30	5/8x3/4 Inch	Residential	\$ (3,372)	\$ (4,912)	\$ (1,540)	45.68%	-0.18%	-0.16%
31	3/4 Inch	Residential	655	995	340	51.83%	0.03%	0.03%
32	1 Inch	Residential	(172)	(290)	(118)	68.91%	-0.01%	-0.01%
33	1 1/2 Inch	Residential	-	-	-	0.00%	0.00%	0.00%
34	2 Inch	Residential	(1,736)	(3,332)	(1,596)	91.97%	-0.09%	-0.11%
35								
36	5/8x3/4 Inch	Commercial	\$ -	\$ -	\$ -	0.00%	0.00%	0.00%
37	3/4 Inch	Commercial	735	1,232	497	67.59%	0.04%	0.04%
38	1 Inch	Commercial	(489)	(1,017)	(527)	107.78%	-0.03%	-0.03%
39	1 1/2 Inch	Commercial	-	-	-	0.00%	0.00%	0.00%
40	2 Inch	Commercial	3,740	6,999	3,259	87.16%	0.20%	0.23%
41	3 Inch	Commercial	-	-	-	0.00%	0.00%	0.00%
42	6 Inch	Commercial	-	-	-	0.00%	0.00%	0.00%
43								
44	5/8x3/4 Inch	Irrigation	\$ -	\$ -	\$ -	0.00%	0.00%	0.00%
45	3/4 Inch	Irrigation	165	276	111	67.06%	0.01%	0.01%
46	1 Inch	Irrigation	859	1,611	752	87.62%	0.05%	0.05%
47	1 1/2 Inch	Irrigation	-	-	-	0.00%	0.00%	0.00%
48	2 Inch	Irrigation	-	-	-	0.00%	0.00%	0.00%
49	3 Inch	Irrigation	-	-	-	0.00%	0.00%	0.00%
50	4 Inch	Irrigation	-	-	-	0.00%	0.00%	0.00%
51								
52	Subtotal Revenue Annualization		\$ 386	\$ 1,563	\$ 1,177	305.15%	0.02%	0.08%
53								
54	Total Revenues w/ Annualization		\$ 1,864,821	\$ 3,013,034	\$ 1,148,212	61.57%	99.07%	99.42%
55	Misc Revenues		17,117	17,117	-	0.00%	0.91%	0.56%
56	Reconciling Amount		299	340	41	13.71%	0.02%	0.01%
57	Total Revenues		\$ 1,882,237	\$ 3,030,491	\$ 1,148,253	61.00%	100.00%	100.00%
58								
59								

**Exhibit
Rebuttal Schedule H-2
Page 1
Witness: Bourassa**

Line No.	Customer Classification and/or Meter Size	Average Number of Customers at 12/31/2012	Average Consumption		Average Bill		Proposed Increase		Percent of Customers		
			Average		Present Rates	Proposed Rates	Dollar Amount	Percent Amount			
1	5/8x3/4 Inch Residential	6,050	7,047	\$	21.49	\$	31.16	\$	9.68	45.03%	95.07%
2	3/4 Inch Residential	114	9,164	\$	25.30	\$	37.47	\$	12.17	48.13%	1.79%
3	1 Inch Residential	53	10,034		32.46		54.70		22.24	68.51%	0.83%
4	1 1/2 Inch Residential	2	24,667		68.80		123.11		54.31	78.93%	0.03%
5	2 Inch Residential	12	17,330		67.59		131.00		63.41	93.81%	0.19%
6											
7	5/8x3/4 Inch Commercial	-	-	\$	12.40		14.88		2.48	20.00%	0.00%
8	3/4 Inch Commercial	35	3,360		14.85		24.89		10.04	67.65%	0.55%
9	1 Inch Commercial	16	62,289		126.52		263.86		137.34	108.55%	0.26%
10	1 1/2 Inch Commercial	12	13,327		48.39		89.31		40.93	84.58%	0.19%
11	2 Inch Commercial	20	65,310		153.96		287.33		133.37	86.63%	0.31%
12	3 Inch Commercial	2	104,675		246.82		470.65		223.84	90.69%	0.03%
13	6 Inch Commercial	4	280,698		629.66		1,332.48		702.82	111.62%	0.06%
14											
15	5/8x3/4 Inch Irrigation	-	-	\$	12.40	\$	14.88	\$	2.48	20.00%	0.00%
16	3/4 Inch Irrigation	8	6,090		19.76		33.03		13.27	67.13%	0.13%
17	1 Inch Irrigation	3	15,063		41.51		69.69		28.17	67.87%	0.04%
18	1 1/2 Inch Irrigation	1	5,417		34.15		65.74		31.59	92.51%	0.02%
19	2 Inch Irrigation	22	58,544		141.78		259.18		117.40	82.81%	0.35%
20	3 Inch Irrigation	2	61,159		168.49		340.97		172.49	102.38%	0.03%
21	4 Inch Irrigation	1	3,625		86.93		258.80		171.88	197.73%	0.02%
22											
23	Golf Course Irrigation	2	6,736,875	\$	2,492.64	\$	5,926.34		3,433.70	137.75%	0.03%
24											
25	5/8x3/4 Inch Hydrant/Construction	5	10,823		28.28		45.02		16.74	59.20%	0.08%
26											
27											
28											
29	Totals	6,363									100.00%
30											
31	Actual Year End Number of Customers:	6,356									
32											
33											
34											
35											
36											

**Exhibit
Rebuttal Schedule H-2
Page 2
Witness: Bourassa**

Actual Year End Number
of Customers:

Lago Del Oro Water Company
Test Year Ended December 31, 2012
Present and Proposed Rates

Line No.	Monthly Usage Charge for: Meter Size (All Classes):	Present Rates	Proposed Rates	Change	Percent Change
1	5/8x3/4 Inch	\$ 12.40	\$ 14.88	\$ 2.48	20.00%
2	3/4 Inch	12.40	14.88	2.48	20.00%
3	1 Inch	18.00	24.80	6.80	37.78%
4	1 1/2 Inch	28.00	49.60	21.60	77.14%
5	2 Inch	40.00	79.36	39.36	98.40%
6	3 Inch	62.00	158.72	96.72	156.00%
7	4 Inch	84.00	248.00	164.00	195.24%
8	5 Inch	106.00	Remove	NM	NM
9	6 Inch	128.00	496.00	368.00	287.50%
10	8 Inch	150.00	793.60	643.60	429.07%
11	Golf Course Irrigation	-	200.00	200.00	NM
12	Construction/Hydrant	NT	-	-	NM
13					
14	Gallons In Minimum (all classes, except golf course irrigation)	2,000	-	-	
15					
16	Gallons In Minimum (golf course irrigation)	-	-	-	
17					
18					
19					
20					
21	<u>Commodity Rates (per 1,000 gallons)</u>				
22	5/8x3/4 Inch (all classes, except golf course irrigation)	\$	1.80		
23					
24	5/8x3/4 Inch - Residential				
25					
26					
27					
28					
29	5/8x3/4 Inch - Commercial, Irrigation (except golf course irrigation)				
30					
31					
32	3/4 Inch Meter (all classes, except golf course irrigation)	\$	1.80		
33					
34	3/4 Inch Meter - Residential				
35					
36					
37					
38	3/4 Inch Meter - Commercial, Irrigation (except golf course irrigation)				
39					
40					
41					
42					
43					
44					
45	NM = not meaningful				
46	NT = No Tariff				
47					

Lago Del Oro Water Company
Test Year Ended December 31, 2012
Present and Proposed Rates

Exhibit
Rebuttal Schedule H-3
Page 2

Line No.		<u>Block</u>	<u>Present Rate</u>	<u>Proposed Rate</u>	
1			\$ 1.80		
2					
3	Commodity Rates (per 1,000 gallons)				
4	1 Inch Meter (all classes, except golf course irrigation)	Over Minimum			
5					
6	1 Inch Meter (all classes, except golf course irrigation, hydrant)	1 gallons to 17,000 gallons	\$	2.98	
7		over 17,000 gallons	\$	4.16	
8					
9	1.5 Inch Meter (all classes, except golf course irrigation)	Over Minimum	\$ 1.80		
10					
11	1.5 Inch Meter - (all classes, except golf course irrigation, hydrant)	1 gallons to 34,000 gallons	\$	2.98	
12		over 34,000 gallons	\$	4.16	
13					
14	2 Inch Meter (all classes, except golf course irrigation)	Over Minimum	\$ 1.80		
15					
16	2 Inch Meter - (all classes, except golf course irrigation, hydrant)	1 gallons to 54,000 gallons	\$	2.98	
17		over 54,000 gallons	\$	4.16	
18					
19	3 Inch Meter (all classes, except golf course irrigation)	Over Minimum	\$ 1.80		
20					
21	3 Inch Meter - (all classes, except golf course irrigation, hydrant)	1 gallons to 107,000 gallons	\$	2.98	
22		over 107,000 gallons	\$	4.16	
23					
24	4 Inch Meter (all classes, except golf course irrigation)	Over Minimum	\$ 1.80		
25					
26	4 Inch Meter (all classes, except golf course irrigation, hydrant)	1 gallons to 167,000 gallons	\$	2.98	
27		over 167,000 gallons	\$	4.16	
28					
29	5 Inch Meter (all classes, except golf course irrigation)	Over Minimum	\$ 1.80		
30					
31	5 Inch Meter (all classes, except golf course irrigation, hydrant)	Over Minimum		Remove	
32					
33	6 Inch Meter (all classes, except golf course irrigation)	Over Minimum	\$ 1.80		
34					
35	6 Inch Meter - (all classes, except golf course irrigation, hydrant)	1 gallons to 334,000 gallons	\$	2.98	
36		over 334,000 gallons	\$	4.16	
37					
38	8 Inch Meter (all classes, except golf course irrigation)	Over Minimum	\$ 1.80		
39					
40	8 Inch Meter - (all classes, except golf course irrigation, hydrant)	1 gallons to 534,000 gallons	\$	2.98	
41		over 534,000 gallons	\$	4.16	
42					
43					
44	Golf Course Irrigation	All gallons	\$ 0.37	\$ 0.85	
45					
46	Hydrant/Construction	All gallons	NT	\$ 4.16	
47					
48	NT = No Tariff				

Lago Del Oro Water Company
Present and Proposed Rates
Test Year Ended December 31, 2012

Exhibit
 Rebuttal Schedule H-3
 Page 3
 Witness: Bourassa

Line
 No.

1 Meter and Service Line Charges

	Present Service Line Charge	Present Meter Install- ation Charge	Total Present Charge	Proposed Service Line Charge ¹	Proposed Meter Install- ation Charge ¹	Total Proposed Charge ¹
7 5/8 x 3/4 Inch			\$ 250.00	\$ 385.00	\$ 135.00	\$ 520.00
8 3/4 Inch			\$ 275.00	415.00	205.00	620.00
9 1 Inch			\$ 300.00	465.00	265.00	730.00
10 1 1/2 Inch			\$ 450.00	520.00	475.00	995.00
11 2 Inch			\$ 625.00			
12 2 Inch Turbo			NT	800.00	995.00	1,795.00
13 2 Inch, Compound			NT	800.00	1,840.00	2,640.00
14 3 Inch			\$ 800.00			
15 3 Inch Turbo			NT	1,015.00	1,620.00	2,635.00
16 3 Inch, compound			NT	1,135.00	2,495.00	3,630.00
17 4 Inch			\$ 975.00			
18 4 Inch Turbo			NT	1,430.00	2,570.00	4,000.00
19 4 Inch, compound			NT	1,610.00	3,545.00	5,155.00
20 5 Inch			\$ 1,150.00			
21 6 inch			\$ 1,325.00			
22 6 Inch Turbo			NT	2,150.00	4,925.00	7,075.00
23 6 Inch, compound			NT	2,270.00	6,820.00	9,090.00
24 8 Inch			\$ 1,500.00			
25 8 Inch or Larger			NT	Cost	Cost	Cost

¹ Based on ACC Staff Engineering Memo dated February 21, 2008

NT = No Tariff

Other Charges:

	Present	Proposed
Establishment	\$ 25.00	\$ 25.00
Reestablishment After Hours	\$ 30.00	NT
Reestablishment within 12 months	*	*
Reconnection/Delinquent	\$ 25.00	\$ 25.00
Meter Test (if correct)	\$ 30.00	\$ 30.00
Meter Re-read (if correct)	\$ 15.00	\$ 15.00
Deposit	**	**
Deposit Interest	**	**
NSF Check	\$ 10.00	\$ 10.00
Deferred Payment, per month	15% per annum	1.5% per month
Late Payment Fee (per month)	NT	1.5% per month
After hours service charge	NT	\$ 30.00

* Number of months off the system times the monthly minimum.

** Per Rule R14-2-403.B

NT = No Tariff

1 FENNEMORE CRAIG
A Professional Corporation
2 Jay L. Shapiro (No. 014650)
2394 East Camelback Road, Suite 600
3 Phoenix, Arizona 85016
Telephone (602) 916-5000
4
5 Attorneys for Lago del Oro Water Company
6

7 **BEFORE THE ARIZONA CORPORATION COMMISSION**

8
9 IN THE MATTER OF THE APPLICATION
OF LAGO DEL ORO WATER COMPANY,
10 AN ARIZONA CORPORATION, FOR A
DETERMINATION OF THE FAIR VALUE
11 OF ITS UTILITY PLANTS AND
PROPERTY AND FOR INCREASES IN
12 ITS WATER RATES AND CHARGES FOR
UTILITY SERVICE BASED THEREON.
13

DOCKET NO: W-01944A-13-0215

14
15
16 **REBUTTAL TESTIMONY OF**
17 **THOMAS J. BOURASSA**
18 **COST OF CAPITAL**

19 **February 18, 2014**
20
21
22
23
24
25
26

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8906617.1/058113.0008

1 **I. INTRODUCTION AND QUALIFICATION**

2 **Q. PLEASE STATE YOUR NAME AND ADDRESS.**

3 A. My name is Thomas J. Bourassa. My business address is 139 W. Wood Drive,
4 Phoenix, Arizona 85029.

5 **Q. ON WHOSE BEHALF ARE YOU TESTIFYING IN THIS PROCEEDING?**

6 A. I am testifying on behalf of Lago Del Oro Water Company's ("LDO" or "the
7 Company"). My direct testimony was filed in support of the Company's
8 application for new rates. One volume addressed rate base, income statement and
9 rate design, and the other addressed cost of capital.

10 **Q. HAVE YOU ALSO PREPARED REBUTTAL TESTIMONY ON RATE**
11 **BASE ISSUES IN THIS DOCKET?**

12 A. Yes, my rebuttal testimony on rate base, income statement, revenue requirement
13 and rate design is being filed in a separate volume concurrently with this testimony.
14 In this volume, I present my cost of capital rebuttal testimony.

15 **Q. WHAT IS THE PURPOSE OF THIS PORTION OF YOUR REBUTTAL**
16 **TESTIMONY?**

17 A. I will provide updates of my cost of capital analysis and recommended rate of
18 return using more recent financial data. I also will provide rebuttal responses as
19 appropriate to the direct testimony of Staff witness Mr. John Cassidy

20 **II. SUMMARY OF REBUTTAL TESTIMONY AND THE PROPOSED COST**
21 **OF CAPITAL FOR THE COMPANY**

22 A. **Summary of Company's Rebuttal Recommendation**

23 **Q. WHAT IS YOUR RECOMMENDED COST OF CAPITAL?**

24 A. Based on my updated cost of capital analysis, I am continuing to recommend a cost
25 of equity of 10.5 percent. The Company is adopting Staff's recommended cost of
26 debt of 4.6 percent and capital structure consisting of 29 percent debt and

1 71 percent common equity. Based on the foregoing, the Company's weighted
2 average cost of capital ("WACC") is 8.79 percent, as shown on Rebuttal Schedule
3 D-1.
4

	<u>Capital Structure</u>	<u>Cost</u>	<u>Wtd</u> <u>Cost</u>
5 Equity	71.00%	10.50%	7.46%
6 Debt	<u>29.00%</u>	4.60%	<u>1.33%</u>
7 Total	100.00%		8.79%

10
11 **Q. HAS THE INDICATED RETURN ON EQUITY CHANGED SINCE THE**
12 **DIRECT FILING WAS MADE?**

13 **A.** Yes, it is somewhat higher. In my direct testimony, the mid-point of my cost of
14 equity estimates was 9.9 percent.¹ The mid-point of my rebuttal cost of equity
15 results is 10.2 percent. The table below summarizes the results of my updated
16 analysis:
17

<u>Method</u>	<u>Midpoint</u>
18 Range DCF Constant Growth Estimates	9.0%
19 Range of CAPM Estimates	9.1%
20 Range of Build Up Method	<u>11.4%</u>
21 Average of DCF and CAPM midpoint	
22 estimates	10.2%
23 Recommended Cost of Equity	10.5%

24
25
26 ¹ Direct Testimony of Thomas J. Bourassa – Cost of Capital, ("Bourassa COC Dt.") at 47.

1 The schedules containing my updated cost of capital analysis are attached to this
2 rebuttal testimony.

3 After a consideration of the risks associated with LDO compared to the
4 publicly traded utility companies, I conclude the required cost of equity is above
5 the median of 10.2 percent and that 10.5 percent is very conservative.
6 My recommended 10.5 percent return on equity ("ROE") recommendation
7 balances my judgment about the degree of financial and business risk associated
8 with an investment in LDO.

9 **B. Summary of the Staff Recommendations**

10 **Q. PLEASE SUMMARIZE THE RECOMMENDATIONS OF STAFF FOR**
11 **THE RATE OF RETURN ON FAIR VALUE RATE BASE.**

12 **A.** Staff is recommending a capital structure consisting of 21.0 percent debt and 79.0
13 percent equity.² Staff is also recommending a cost of equity of 9.3 percent based
14 on the average cost of equity produced by its DCF models, a financial risk
15 adjustment, and an economic assessment adjustment (EAA).³ Staff is also
16 recommending a cost of debt of 4.6 percent.⁴ Staff used a sample of seven publicly
17 traded water utilities; six of which are the same as those I used in my analysis.⁵
18 Staff did not consider firm size or firm-specific risks in its analysis. Based on its
19 capital structure recommendation, Staff determined the WACC for LDO to be
20 7.9 percent.⁶

23 ² Direct Testimony of John A. Cassidy ("Cassidy Dt.") at 10.

24 ³ Cassidy Dt. 32.

25 ⁴ Cassidy Dt. 11.

26 ⁵ Staff has added York Water (YORW) to its proxy group.

⁶ Cassidy Dt. at 43.

1 **C. Rebuttal to the Cost of Equity Recommendations of Staff**

2 **Q. STAFF ONLY USED THE DCF MODEL TO ESTIMATE THE COST OF**
3 **EQUITY?**

4 A. Yes. Staff uses two versions of the DCF model - a constant growth DCF and a
5 multi-stage DCF. For unexplained reasons, Staff has not incorporated estimates
6 derived from it CAPM.⁷

7 **Q. IS THE USE OF ONLY ONE METHODOLOGY TO ESTIMATE THE**
8 **COST OF EQUITY APPROPRIATE?**

9 A. No. As Dr. Morin states:

10 Each methodology requires the exercise of considerable
11 judgment on the reasonableness of the assumptions underlying
12 the methodology and on the reasonableness of the proxies used to
13 validate a theory. *The inability of the DCF model to account for*
14 *changes in relative market valuation, discussed below, is a vivid*
 example of the potential shortcomings of the DCF model when
 applied to a given company. Similarly, the inability of the CAPM
 to account for variables that affect security returns other than
 beta tarnishes its use. (emphasis added.)

15 No one individual method provides the necessary level of
16 precision for determining a fair return, but each method provides
17 useful evidence to facilitate the exercise of an informed
18 judgment. Reliance on any single method or preset formula is
 inappropriate when dealing with investor expectations because of
 possible measurement difficulties and vagaries in individual
 companies' market data

19 When measuring equity costs, which essentially deals with the
20 measurement of investor expectations, no single methodology
21 provides a foolproof panacea. Each methodology requires the
22 exercise of considerable judgment on the reasonableness of the
23 assumptions underlying the methodology and on the
24 reasonableness of the proxies used to validate the theory.
 It follows that more than one methodology should be employed
 in arriving at a judgment on the cost of equity and that these
 methodologies should be applied across a series of comparable
 risk companies.⁸

25 ⁷ Cassidy Dt. at 18.

26 ⁸ Roger A. Morin. *New Regulatory Finance*, Public Utility Reports, Inc., 2006, at 428-429.

1 Q. IS THE DCF A SUPERIOR METHODOLOGY?

2 A. No. Again, I concur with Dr. Morin who states:

3 While it is certainly appropriate to use the DCF methodology to
4 estimate the cost of equity, there is no proof that the DCF
5 produces a more accurate estimate of the cost of equity than other
6 methodologies. Sole reliance on the DCF model ignores the
7 capital market evidence and financial theory formalized in the
8 CAPM and other risk premium methods. The DCF model is one
9 of many tools to be employed in conjunction with other methods
10 to estimate the cost of equity. *It is not a superior methodology
11 that supplants other financial theory and market evidence.
12 The broad usage of the DCF methodology in regulatory
13 proceedings in contrast to its virtual disappearance in academic
14 textbooks does not make it superior to other methods. The same
15 is true of the Risk Premium and CAPM methodologies.
16 (emphasis added.)*⁹

11 Q. DOES THE DCF TEND TO UNDERSTATE THE INVESTORS'
12 REQUIRED RETURN?

13 A. Yes, when the market value of assets is significantly higher or lower than book
14 value, a market-based DCF cost rate applied to the book value of common equity
15 will not produce investors' expected returns. Dr. Morin also provides an
16 explanation for this flaw in the DCF:

17 The third reason and perhaps most important for caution and
18 skepticism is that application of the DCF model produces
19 estimates of common equity cost that are consistent with
20 investors' expected return only when stock price and book value
21 are reasonably similar, that is when the market-to-book ratio
22 (M/B) is close to unity. As shown below, application of the
23 standard DCF model to utility stocks understates the investor's
24 expected return when the M/B ratio of a given stock exceeds
25 unity. This was particularly relevant in the capital market
26 environment of the 1990s and 2000s where utility stocks were
trading at M/B ratios well above unity and have been for nearly
two decades. The converse is also true, that is the DCF model
overstates the investor's return when the M/B ratio is less than
unity. The reason for the distortion is that the DCF market return
is applied to a book value rate base by the regulator, that is, a

26 ⁹ Morin at 431.

1 utility's earnings are limited to earnings on a book value rate
2 base.¹⁰

3 The understatement/overstatement of investors' required return associated with the
4 application of the market price-based DCF model to the book value of common
5 equity clearly illustrates why reliance upon a single common equity cost rate model
6 should be avoided.

7 **Q. PLEASE COMMENT ON MR. CASSIDY'S DISCUSSION (AT PAGE 26 OF**
8 **HIS DIRECT TESTIMONY) REGARDING THE FINANCIAL**
9 **IMPLICATIONS OF A MARKET-TO-BOOK RATIO OF GREATER**
10 **THAN 1.0.**

11 **A.** There are a number of reasons investors may bid up market prices for stocks above
12 book values, other than an expectation that a water utility will earn more than its
13 cost of equity. One reason is that investors may expect a city or some other public
14 entity to condemn all or part of a water utility, meaning the municipality will
15 acquire the assets at the fair market value. Water utilities typically have assets that
16 have a value based on reproduction cost that is well in excess of book value,
17 and investors would be aware that a condemnation award could be well in excess
18 of book values, even if the utility earns no more than its cost of equity.

19 Second, investors may anticipate a merger or acquisition that produces
20 premium prices. With such anticipated sale prices well above book values, a water
21 utility would also be priced above book value even if the water utility made no
22 more than its cost of equity. There are other reasons as well. These include:
23 (1) public utility commissions do not issues orders simultaneously in all
24 jurisdictions, (2) not all of a company's earnings are regulated, (3) regulatory
25

26 ¹⁰ Morin at 434.

1 expenses, revenue and rate base adjustments may cause accounting returns to differ
2 from those calculated on a rate case basis, (4) actual sales do not equal sales
3 assumed in a rate case, (5) market expected ROEs change frequently while rate-
4 case authorized ROEs do not, and (6) regulated subsidiaries constitute only a piece
5 of a holding company pie.

6 The argument that utilities are earning more than their cost of capital
7 because the market-to-book ratio is greater than 1.0 is superficial. There is ample
8 evidence that for at least a decade now, regulated water utilities in Arizona have
9 not been earning their costs of service, let alone over earning. Mr. Cassidy's claim
10 - that one would expect market forces to move the stock price lower, close to a
11 market-to-book ratio of 1.0, to reflect investor expectations of reduced expected
12 future cash flows, is also flawed. Mr. Cassidy has ignored many of the things of
13 importance to investors and why it is reasonable to expect market-to-book ratios to
14 exceed 1.0 even if water utilities are expected to earn no more than their costs of
15 equity. If regulators were to force the market-to-book ratios to 1.0 by intentionally
16 lowering the allowed returns, such action would place utilities at a disadvantage in
17 competing for investment capital with industrials and other unregulated companies,
18 whose stock trades well above book value.

19 **Q. PLEASE COMMENT ON STAFF'S ECONOMIC RISK ASSESSMENT,**
20 **OR EAA.**

21 **A.** I can't, at least not in any meaningful way. Staff does not really explain the basis
22 for this adjustment in its testimony except to say that its EAA reflects the uncertain
23 status of the economy and the market.¹¹ But Staff provides no analysis, study or
24 authoritative reference upon which Mr. Cassidy's judgment rests for me to
25

26 ¹¹ Cassidy Dt. at 32.

1 consider. Of course, I agree with Staff that the current economic environment
2 supports increased ROEs. Interest rates have risen in the past year and are
3 expected to increase as the FED curtails its easy money policies. That said, I have
4 just never seen an adjustment of this type from Staff or anyone else until recently.
5 When economic conditions were far worse a few years ago, Staff never advanced
6 an EAA. I am left a bit perplexed by the whole thing, but my skepticism, and the
7 fact that the EAA has popped into existence out of nowhere, leads me to conclude
8 that it is an ill-considered band-aid to cover up an unreasonably low ROE.
9 Recall that without the EAA, Staff's ROE model would be only 8.7 percent
10 (9.3 percent average of Staff's models less EAA of 60 basis points).¹²

11 **Q. HOW DOES STAFF'S RECOMMENDATION COMPARE TO OTHER**
12 **FORECASTS OF COMMON EQUITY RETURNS AND CURRENTLY**
13 **AUTHORIZED RETURNS?**

14 **A.** It is much lower. *Value Line*, a reputable publication used by cost of capital
15 witnesses for both parties, publishes forecasts of returns on common equity for
16 larger publicly traded companies. Six water utilities are included in my sample
17 group while Staff includes seven. Staff has recently added York Water (YORW) to
18 its proxy group. *Value Line* (January 17, 2014) shows projected returns on equity
19 for those water utilities:

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26 ¹² Cassidy Dt. at 32.

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<u>Company</u>	<u>2013</u>	<u>2014</u>	<u>2016-18</u>
American States Water (AWR)	12.0%	12.5%	11.5%
Aqua America (WTR)	13.0%	13.0%	12.5%
California Water (CWT)	7.5%	9.0%	9.5%
Connecticut Water (CTWS)	9.5%	9.5%	9.0%
Middlesex Water (MSEX)	8.5%	8.5%	9.0%
SJW Corp. (SJW)	8.5%	8.5%	8.5%
York Water. (YORW)	<u>9.5%</u>	<u>11.5%</u>	<u>11.0%</u>
Averages	9.8%	10.4%	10.1%

Furthermore, the currently *authorized* ROE's for the sample water utility companies as reported by AUS Utility Reports (January 2014) average 10.03 percent. They are as follows:

<u>Company</u>	
American States Water (AWR)	9.99%
Aqua America (WTR)	10.29%
California Water (CWT)	9.99%
Connecticut Water (CTWS)	9.75%
Middlesex Water (MSEX)	10.15%
SJW Corp. (SJW)	9.99%
York Water. (YORW)	<u>NM</u>
Average	10.03%

1 Q. WHAT CONCLUSIONS CAN BE DRAWN FROM THE RETURN DATA
2 YOU JUST PRESENTED, MR. BOURASSA?

3 A. For one, they are all much higher than the Staff returns produced by their models,
4 before any consideration of financial risk or other risks. For another, since we are
5 applying a return to a book value rate base, book equity returns have relevance.
6 In fact, if we are to meet the comparable earnings standards set forth in *Hope* and
7 *Bluefield*, then a comparison to book returns is an essential element. These utilities
8 rates will be in effect during approximately the same time period as LDO. Yet, if
9 the Staff ROE is adopted, LDO will be allowed to earn much less, failing the *Hope*
10 and *Bluefield* standard.

11 Q. IS IT YOUR VIEW THAT LDO'S ROE IS HIGHER THAN THE
12 PUBLICLY TRADED UTILITIES?

13 A. Yes. My recommendation in the instant case is 30 basis points higher than the
14 mid-point of my cost of equity estimates. LDO has 5 times more business risk than
15 the publicly traded water utilities, has a much higher operating leverage, is less
16 diverse, and has limited financial flexibility.¹³ Further, since LDO is not publicly
17 traded, an investment in LDO is illiquid compared to an investment in a publicly
18 traded company and therefore has greater liquidity risk and a higher cost of capital.
19 The 30 basis points difference is actually conservative given the risks associated
20 with an investment in LDO.

21 ...

22 ...

23 ...

24 ...

25

26 ¹³ Bourassa COC Dt. at 25-27.

1 **D. Responses to Staff's Criticisms of the Company's Cost of Capital**
2 **Analysis**

3 **Q. MR. CASSIDY ALSO CRITICIZES YOU (ON PAGE 34 OF HIS DIRECT**
4 **TESTIMONY) FOR RELYING EXCLUSIVELY ON ANALYSTS**
5 **FORECASTS OF EPS GROWTH IN THE DCF MODEL. IS THIS TRUE?**

6 A. No. I rely on both historical growth rates *and* forecasts of growth. For the
7 historical growth rates, I use historical per share price growth, historical BVPS
8 growth, historical EPS growth, and historical DPS growth.¹⁴ For the forecast
9 growth rate, I used long-term analyst estimates of EPS growth.¹⁵ I just give more
10 weight to the analyst forecasts of growth. It is important to note that Mr. Cassidy
11 disagrees with the additional weight I give the analyst forecasts, but he is not
12 saying these forecasts have no merit, nor did I rely solely on analyst forecasts of
13 growth. The dispute between Mr. Cassidy and me comes down to something
14 between 50 percent and my "greater" emphasis. In my direct testimony I explained
15 why a weight greater than 50 percent should be given to analysts' estimates.¹⁶

16 **Q. ARE ANALYSTS' FORECASTS OF GROWTH "OVERLY OPTIMISTIC"**
17 **FOR UTILITIES?**

18 A. Not according to Gordon, Gordon and Gould who found that analyst estimates are
19 the best proxies for DCF growth when estimating the cost of equity for utilities
20 using the DCF.¹⁷ But the level of accuracy of analysts' forecasts is an after-the-fact
21 evaluation with little relevance to the issues at hand here. As Dr. Morin explains:

24 ¹⁴ Bourassa COC Dt. at 35.

25 ¹⁵ *Id.*

26 ¹⁶ Bourassa COC Dt. at 31.

¹⁷ Bourassa COC Dt. at 30 – 31.

1 Because of the dominance of institutional investors and their
2 influence on individual investors, analysts' forecasts of long-run
3 growth rates provide a sound basis for estimating required
4 returns. Financial analysts exert a strong influence on the
5 expectations of many investors who do not possess the resources
6 to make their own forecasts, that is, they are a cause of g.
7 *The accuracy of these forecasts in the sense of whether they turn*
8 *out to be correct is not at issue here, as long as they reflect*
9 *widely held expectations. As long as the forecasts are typical*
10 *and/or influential in that they are consistent with current stock*
11 *price levels, they are relevant. The use of analysts' forecasts in*
12 *the DCF model is sometimes denounced on the grounds that it is*
13 *difficult to forecast earnings and dividends for only one year, let*
14 *alone for longer time periods. This objection is unfounded,*
15 *however, because it is present investor expectations that are*
16 *being priced; it is the consensus forecast that is embedded in*
17 *price and therefore in required return, and not the future as it*
18 *will turn out to be. (emphasis added.)*¹⁸

11 What really matters is that analysts' forecasts strongly influence investors
12 and hence the market prices they are willing to pay for stocks. Analysts' growth
13 rates influence the prices investors will pay for stocks and thus impact the dividend
14 yields. The dividend yields change until the sum of the dividend yield plus the
15 growth rate equals investors' perceived cost of equity. Had the growth forecasts
16 been lower – as Mr. Cassidy suggests they should be – the stock prices would be
17 lower and dividend yields would be higher. But there would not necessarily be any
18 difference in the ultimate estimate of the cost of equity.

19 **Q. HAS MR. CASSIDY OFFERED ANY EVIDENCE THAT INVESTORS DO**
20 **NOT RELY ON ANALYST ESTIMATES?**

21 A. No. Nor does he offer any evidence of the extent investors rely on historical
22 growth or on analyst estimates of future growth. Mr. Cassidy offers no quantitative
23 or conceptual argument to rebut the conclusions of Gordon, Gordon, and Gould
24 (cited in my direct¹⁹), and offers no evidence that any of the measures of past

25 ¹⁸ Morin at 298.

26 ¹⁹ Bourassa COC Dt. at 35.

1 growth he has used – historical EPS, historical DPS, historical sustainable growth –
2 provide a better forecast of future growth for utilities than analysts' estimates of
3 growth.

4 **Q. DO YOU HAVE EVIDENCE THAT THE GROWTH FORECASTS USED**
5 **BY STAFF ARE SIGNIFICANTLY UNDERSTATED?**

6 A. Yes. The 3-year historical annualized total return for the water utility stocks
7 reported by *Value Line* (February 7, 2014) is 11.9 percent.²⁰ This indicated return
8 would imply a growth rate for the DCF model of 9.0 percent.²¹ Compare this to
9 Staff's 5.2 percent growth rate as shown on Staff Schedule JAC-3. Even the
10 growth rate based on analyst estimates that I use – 6.07 percent as shown on
11 Schedule D-4.8 – falls far short of the implied growth rate investors have realized
12 over the past 3 years. What this shows is that when using forecasts of earnings
13 growth, the indicated cost of equity can vastly understate the cost of equity.

14 **Q. PLEASE RESPOND TO MR. CASSIDY'S TESTIMONY (ON PAGE 39 OF**
15 **HIS DIRECT) THAT USE OF THE HISTORICAL STOCK PRICE**
16 **GROWTH IS INAPPROPRIATE PROXY FOR THE GROWTH RATE IN**
17 **THE DCF MODEL.**

18 A. As I explained in my direct testimony at page 33, using the average historical
19 growth in the stock price is reasonable because investors know that, in equilibrium,
20 common stock prices, book value per share ("BVPS"), earnings per share ("EPS")
21 and dividends per share ("DPS") will all grow at the same rate. Investors would
22 take information about changes in stock prices into account when they price
23

24 ²⁰ A stock's total return is the percentage increase in the value of a shareholder's
investment, assuming reinvestment of all dividends and adjusted for any stock splits.

25 ²¹ Solving the DCF model as set forth in Mr. Bourassa's Direct Testimony at page 31
yields $g = k - D_1/P_0$. Substituting Staff's dividend yield of 2.9 for D_1/P_0 and the
26 11.8 percent for k we get: $g = 9.0 = 11.8 - 2.9$.

1 utilities' stocks. The traditional DCF model assumes that the stock price, book
2 value, dividends, and earnings all grow at the same rate. This has not been
3 historically true for the sample water utility companies.²² So, using the historical
4 growth in stock prices is an appropriate proxy measure for growth.

5 **Q. DOESN'T STAFF TYPICALLY USE 3-5 YEAR PRICE APPRECIATION**
6 **POTENTIAL AS A GROWTH PROXY FOR THE DCF WHEN**
7 **ESTIMATING THE CURRENT MARKET RISK PREMIUM FOR THE**
8 **CAPM?**

9 A. Yes, in my experience. Staff has used the Value Line projected 3-5 year per share
10 growth, which is Value Line's 3-5 year stock price appreciation in estimating the
11 current market risk premium for the CAPM.²³ Mr. Cassidy is criticizing me for
12 something Staff has done on a regular basis in the past.

13 **Q. PLEASE COMMENT ON MR. CASSIDY'S TESTIMONY (AT PAGE 41)**
14 **CRITICIZING YOU FOR CONSIDERING THE DIFFERENCES IN RISK**
15 **DUE TO THE SIZE OF LDO COMPARED TO THE PUBLICLY TRADED**
16 **SAMPLE UTILITIES.**

17 A. I have not made a specific size adjustment for LDO, rather, I have pointed out the
18 differences in risk stemming from LDO's higher business risk, operating leverage,
19 and liquidity. My 30 basis point "premium" is conservative given the risks of an
20 investment in LDO. That said, Mr. Cassidy does not dispute that smaller
21 companies are more risky than larger companies.²⁴

22
23
24 ²² Bourassa COC Dt. at 31.

25 ²³ See *Rio Rico Utilities, Inc.*, Docket No. WS-02676A-12-02196; *Litchfield Park Service*
Company, Docket No. SW-01428A-13-0042, et al.; *Payson Water Co., Inc.*, W-03514A-
13-0111.

26 ²⁴ Cassidy Dt. at 41.

1 Q. TO REBUT ANY IMPACT OF SIZE, MR. CASSIDY REFERENCES A
2 STUDY BY ANNIE WONG (AT PAGE 41). ARE YOU FAMILIAR WITH
3 THIS STUDY?

4 A. I sure am. Over the past 10 plus years or so Staff's witnesses have repeatedly
5 trotted out this one study to refute the notion that utilities like LDO are more risky
6 than the proxy companies because they are considerably and significantly smaller.
7 Mr. Cassidy has done so at least one other time, and in that case, he admitted on
8 cross examination that he had never read Ms. Wong's actual paper, wasn't even
9 sure what kind of paper it was (he thought it might be her doctoral thesis), and did
10 not know whether it had ever been published.²⁵ Mr. Cassidy also stated that he was
11 unaware of any other person that had published a similar conclusion.²⁶ I do not
12 know what else Ms. Wong has done since, but I suspect this item of Ms. Wong's
13 work, and its questionable conclusions, have found no greater audience than at
14 public utility commissions where some party is trying to justify an unreasonably
15 low ROE for a utility that is not publicly traded.

16 Q. HAS MS. WONG DISPROVED THE EXISTENCE OF A SIZE PREMIUM
17 FOR SMALL UTILITY STOCKS?

18 A. No. Actually, Ms. Wong's study has been criticized soundly: "[her] weak evidence
19 provides little support for a small firm effect existing or not existing in either the
20 industrial or the utility sector."²⁷ Dr. Zepp found that Ms. Wong's empirical results
21 were not strong enough to conclude that beta risk of utilities is unrelated to size; he
22 found that her use of monthly, weekly, and daily data may be the cause of her
23 inability to find a relationship; and he found other studies that show trading

24 ²⁵ Transcript from March 28, 2013 hearing at 237:18 – 239:8, *Rio Rico Utilities, Inc.*

25 ²⁶ *Id.* 238:13-20

26 ²⁷ Thomas M. Zepp, "Utility Stocks and the Size Effect – Revisited," *The Quarterly Review Economics and Finance*, Vol. 43, Issue 3, Autumn 2003, 578-582.

1 infrequency to be a powerful cause of bias in beta risk when time intervals of a
2 month or less are used to estimate beta's for small stocks.²⁸ The studies relied on
3 in Mr. Zepp's published paper found, "when a stock is thinly traded, its stock price
4 does not reflect the movement of the market, which drives down the covariance
5 with the market and creates an artificially low beta estimate."²⁹ Thus, Ms. Wong's
6 weak results were due to a flawed analysis.

7 **Q. DON'T PASCHALL AND HAWKINS (QUOTED BY MR. CASSIDY ON**
8 **PAGE 42) SUPPORT MS. WONG AND MR. CASSIDY'S VIEW THAT**
9 **SMALLER WATER UTILITIES ARE NOT MORE RISKY THAN**
10 **LARGER WATER UTILITIES?**

11 **A.** No, the authors do not argue against a small company risk premium for small water
12 utilities. Instead, they merely suggest that the small company risk premium may be
13 lower than the average company for the reasons they state.³⁰ A very low risk
14 premium for LDO compared to the average company is exactly what I recommend
15 in this case.

16 According to the empirical financial market data provided by Morningstar,
17 the indicated size premium for a company the size of LDO would be 11.77 percent
18 over the average company the size of LDO.³¹ A size premium analysis provided in
19 **Exhibit TJB-COC-RB1** indicates a size premium in the range of 99 to 377 basis
20 points over the water proxy group. My recommended risk premium is just 30 basis
21 points, which is about 2.5 percent of the indicated small company risk premium for
22 an average company the size of LDO based on Morningstar data, and well below

23 ²⁸ *Id.* at 579.

24 ²⁹ *Id.*

25 ³⁰ Micheal A. Paschall and George B. Hawkins, "Do Smaller Companies Warrant a
Higher Discount Rate for Risk": The Size Effect' Debate," *CCH Business Valuation*
Alert, Vol 1, Issue No. 2, December 1999.

26 ³¹ Morningstar *Ibbotson SBBI 2013 Valuation Yearbook*. Table 7-8, Decile 10z.

1 the bottom end of the range of the indicated additional risk premium over my water
2 proxy group. Therefore, I think Paschall and Hawkins support my analysis not
3 Mr. Cassidy's. That's true with respect to both, whether size matters, and, whether
4 my recommended 10.5 is conservative.

5 **Q. DO YOU FIND ANY FURTHER SUPPORT IN PASCHALL AND**
6 **HAWKINS?**

7 A. Yes, as a matter of fact, I do. One of the main points of the authors' discussion
8 was that the use of small company risk premium without consideration of the
9 specific risks of the subject company could be subject to challenge. Recognition of
10 the additional risk associated with an investment in LDO compared to his water
11 proxy group is something Mr. Cassidy fails to do.

12 That said, a great deal of my direct testimony and parts of my rebuttal
13 testimony were devoted to comparing the differences between the large publicly
14 traded company and LDO that would reflect differences in risk, which is exactly
15 what the authors would recommend. As Paschall and Hawkins conclude:

16
17 Failing to consider the additional risk associated with most
18 smaller companies, however, is to fail to acknowledge reality.
19 Measured properly, small company stocks have proven to be
20 more risky over a long period of time than have larger
21 company stock. This makes sense due to the various
22 advantages that larger companies have over smaller
23 companies. Investors looking to purchase a riskier company
24 will require a greater return on investment to compensate for
25 that risk.³²

26 ³² Paschall *supra*.

1 Q. DO PASCHALL AND HAWKINS REFERENCE ANY STUDIES TO
2 SUPPORT THE PROPOSITION THAT A PRIVATELY HELD SMALL
3 WATER UTILITY HAS THE SAME RISK AS A LARGE PUBLICLY
4 TRADED UTILITY?

5 A. No.

6 Q. ARE THERE ANY STUDIES THAT CONTRADICT MS. WONG'S
7 FINDINGS?

8 A. Yes, besides basic business sense, I am aware of two other studies that support the
9 conclusion that small utilities are more risky than larger utilities. The first, a study
10 conducted by the California Public Utilities Commission ("CPUC") looked at
11 58 water utilities.³³ Based on that study, the CPUC Staff concluded that smaller
12 water utilities are more risky and required higher equity returns than larger water
13 utilities. This position was adopted by the CPUC.³⁴ A second study, conducted by
14 Dr. Zepp, showed that on average, the smaller water utilities in his study had a
15 99 basis point higher cost of equity.³⁵ In short, Ms. Wong's now 20 year-old study
16 of unknown providence, should be given little to no weight in these proceedings.

17 Q. DOES THAT CONCLUDE YOUR REBUTTAL TESTIMONY ON COST OF
18 CAPITAL?

19 A. Yes.
20
21
22
23
24

25 ³³ *Id.* at 580.

26 ³⁴ *Zepp, supra.*

³⁵ *Id.*

EXHIBIT
TJB-COC-RB1

Lago Del Oro Water Company
Size Premium¹

Exhibit

Line No.		Beta(β)	Size Premium	Risk Premium for Small Water Utilities ⁷
1				
2				
3				
4				
5				
6	Mid-Cap Companies ²	1.19	1.51%	
7				
8	Low-Cap Companies ³	1.30	2.31%	
9				
10	Micro-Cap Companies ⁴	1.43	4.36%	
11				
12	Decile 10 ⁵	1.48	6.63%	3.77%
13				
14				
15				
16				
17				
18				
19				
20	Estimated Risk Premium for small water utilities ⁶			0.99%
21				
22				
23				

- ¹ Data from Table 7-10 of Morningstar, *Ibbotson S&P 500 2013 Valuation Yearbook*
- ² Mid-Cap companies includes companies with market capitalization between \$1,912 million and \$7,687 million.
- ³ Low-Cap companies includes companies with market capitalization between \$514 million and \$1,909 million.
- ⁴ Micro-Cap companies includes companies with market capitalization less than \$514 million.
- ⁵ Decile 10 includes companies with market capitalization between \$1.14 million and \$254 million.
- ⁶ From Table 2, Thomas M. Zepp, "Utility Stocks and the Size Effect Revisited," *The Quarterly Review of Economics and Finance*, 43 (2003), 578-582.
- ⁷ Computed as the weighted differences between the Decile 10 risk premium and the indicated risk premiums for the sample water utilities as shown below. Excludes risk due to differences in beta.

Market Cap.	Market Cap. (Millions)	Class	Size Premium	Difference to Decile 1	Weight	Weighted Size Premium
1. American States	\$ 1,084	Low-Cap	2.31%	4.32%	0.166666667	0.72%
2. Aqua America	\$ 4,150	Mid-Cap	1.51%	5.12%	0.166666667	0.85%
3. California Water	\$ 939	Low-Cap	2.31%	4.32%	0.166666667	0.72%
4. Connecticut Water	\$ 371	Micro-Cap	4.36%	2.27%	0.166666667	0.38%
5. Middlesex	\$ 328	Micro-Cap	4.36%	2.27%	0.166666667	0.38%
6. SJW Corp.	\$ 526	Low-Cap	2.31%	4.32%	0.166666667	0.72%
	Average		2.86%			3.77%

D SCHEDULES

Lago Del Oro Water Company
Test Year Ended December 31, 2012
Summary of Cost of Capital

Exhibit
Rebuttal Schedule D-1
Page 1
Witness: Bourassa

Proforma Capital Structure

Line No.	Item of Capital	Dollar Amount	Percent of Total	Cost Rate	Weighted Cost
1	Long-Term Debt	\$ 2,751,411	29.00%	4.60%	1.33%
2					
3	Stockholder's Equity	6,740,138	71.00%	10.50%	7.46%
4					
5	Totals	\$ 9,491,549	100.00%		8.79%
6					
7					
8					
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13					
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19					
20					
21					

SUPPORTING SCHEDULES:

- 22 D-1
- 23 D-3
- 24 D-4
- 25 E-1
- 26 Testimony
- 27
- 28
- 29
- 30

Lago Del Oro Water Company
Test Year Ended December 31, 2012
Cost of Common Equity

Exhibit
Rebuttal Schedule D-4
Page 1
Witness: Bourassa

Line
No.

1
2 The Company is proposing a cost of common equity of 10.50% .
3
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SUPPORTING SCHEDULES:

17
18 E-1
19 D-4.1 to D-4.16
20

RECAP SCHEDULES:

D-1

Lago Del Oro Water Company
Summary of Results

Exhibit
Rebuttal Schedule D-4.1
Witness: Bourassa

Line No.	Method	Median Result
1		
2		
3		
4		
5		
6	DCF Constant Growth Estimates ¹	9.0%
7		
8	Historical CAPM Estimates ²	8.6%
9		
10	Build-up Method Estimates ³	11.4%
11		
12	Mid-point	10.2%
13		
14		
15		
16	Recommended Cost of Equity ⁴	10.5%
17		
18		

¹ See Rebuttal Schedule D-4-8

² See Rebuttal Schedule D-4.12

³ See Rebuttal Schedule D-4.18

⁴ Testimony

23

Lago Del Oro Water Company
Selected Characteristics of Sample Group of Water Utilities

Exhibit
Rebuttal Schedule D-4.2
 Witness: Bourassa

Line No.	Company ¹	% Water Revenues	Operating Revenues (millions)	Net Plant (millions)	S&P Bond Rating	Moody's Bond Rating	Allowed ROE (%)
1	1. American States	60%	\$ 474.6	\$ 968.5	A+	A2	9.99
2	2. Aqua America	89%	\$ 767.5	\$ 4,090.4	AA-	NR	10.29
3	3. California Water	100%	\$ 571.9	\$ 1,505.2	AA-	NR	9.99
4	4. Connecticut Water	97%	\$ 89.4	\$ 461.8	A	NR	9.75
5	5. Middlesex	89%	\$ 114.5	\$ 442.8	A	NR	10.15
6	6. SJW Corp.	96%	\$ 272.1	\$ 860.4	A	NR	9.99
11	Average	89%	\$ 381.7	\$ 1,388.2			10.03
13	Lago Del Oro Water Company						
14	(Adjusted as of December 31, 2012)	100%	\$ 1.9	\$ 9.4	NR	NR	

¹AUS Utility Reports (January 2014).

**Lago Del Oro Water Company
Capital Structures**

**Exhibit
Rebuttal Schedule D-4.3
Witness: Bourassa**

No.	Company	Book Value ¹		Market Value ¹	
		Long-Term Debt	Common Equity	Long-Term Debt	Common Equity
1	1. American States	42.3%	57.7%	23.5%	76.5%
2	2. Aqua America	52.7%	47.3%	27.1%	72.9%
3	3. California Water	47.8%	52.2%	31.6%	68.4%
4	4. Connecticut Water	49.2%	50.8%	32.5%	67.5%
5	5. Middlesex	42.0%	58.0%	28.6%	71.4%
6	6. SJW Corp.	55.0%	45.0%	38.9%	61.1%
7	Average	48.2%	51.8%	30.4%	69.6%
8	Lago Del Oro Water Company (Proforma)	21.0%	79.0%	N/A	N/A

¹ Value Line Analyzer Data (February 7, 2014)

² Adjusted Per Rebuttal Schedule D-1

Exhibit
Rebuttal Schedule D-4.4
Witness: Bourassa

¹ Average of changes in annual stock prices ending on December 31 through 2012. Data from Yahoo Finance website.

² Value Line Analyzer Data, February 7, 2014

³ See Rebuttal Schedule D-4.6.

Lago Del Oro Water Company
Comparisons of Past and Future Estimates of Growth

Line No.	[1]	[2]	[3]	[4]	[5]	[6]	[7]
	<u>Ten-year historical average annual changes</u>						
	<u>Company</u>	<u>Price¹</u>	<u>Value²</u>	<u>EPS²</u>	<u>DPS²</u>	<u>Average Future Growth³</u>	<u>Average of Future and Historical Growth Col 5-6</u>
1	1. American States	10.41%	5.00%	6.50%	3.00%	3.33%	4.78%
2	2. Aqua America	7.70%	8.50%	7.00%	7.50%	7.13%	7.40%
3	3. California Water	6.27%	5.00%	5.00%	1.00%	6.33%	5.33%
4	4. Connecticut Water	4.80%	4.50%	1.50%	1.50%	5.50%	4.29%
5	5. Middlesex	5.14%	4.50%	3.50%	1.50%	3.35%	3.50%
6	6. SJW Corp.	6.99%	5.50%	4.00%	5.00%	10.75%	8.06%
7							
8							
9							
10							
11							
12							
13							
14							
15	GROUP AVERAGE	6.88%	5.50%	4.58%	3.25%	6.07%	5.56%
16	GROUP MEDIAN	6.63%	5.00%	4.50%	2.25%	5.92%	5.05%
17							
18							
19							
20							
21							
22							
23							
24							
25							
26							
27							
28							

¹ Average of changes in annual stock prices ending December 31, 2012. Data from Yahoo Finance website.

² Value Line Analyzer Data, February 7, 2014.

³ See Rebuttal Schedule D-4.6.

Lago Del Oro Water Company
Analysts Forecasts of Earnings Per Share Growth

Exhibit
Rebuttal Schedule D-4.6
Witness: Bourassa

Line No.	[1]	[2]	[3]	[4]
1				
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28				

ESTIMATES OF EARNINGS GROWTH			
Company	Yahoo ¹	Zacks ¹	Value Line ¹
1. American States	1.00%	2.00%	7.00%
2. Aqua America	5.80%	5.60%	10.00%
3. California Water	6.00%	6.00%	7.00%
4. Connecticut Water	5.00%	5.00%	6.50%
5. Middlesex	2.70%		4.00%
6. SJW Corp.	14.00%		7.50%
GROUP AVERAGE	5.75%	4.65%	7.00%
GROUP MEDIAN			

¹ Data as of February 7, 2014

² Where no data available or single estimate, average of other utilities assumed to estimate for utility.

Lago Del Oro Water Company
 Current Dividend Yields for Water Utility Sample Group

Line No.	Company	Average Stock Price (P ₀) ¹	Current Dividend (D ₀) ¹	Current Dividend Yield (D ₀ /P ₀) ¹	Average Annual Dividend Yield (D ₀ /P ₀) ^{1,2}
1	1. American States	\$ 28.16	\$ 0.86	3.05%	3.15%
2	2. Aqua America	\$ 23.66	\$ 0.64	2.71%	2.80%
3	3. California Water	\$ 22.35	\$ 0.68	3.04%	3.36%
4	4. Connecticut Water	\$ 34.06	\$ 0.99	2.91%	3.62%
5	5. Middlesex	\$ 20.75	\$ 0.76	3.66%	3.96%
6	6. SJW Corp.	\$ 28.15	\$ 0.75	2.66%	2.95%
7					
8					
9					
10					
11					
12					
13	Average			3.01%	3.31%
14	Median			2.97%	3.26%
15					

¹ Yahoo Finance. 60 day average of stock prices as of February 7, 2014.

² Average Annual Dividend is dividends declared per share for a year divided by the average annual price of the stock in the same year, expressed as a percentage. For comparison purposes only.

Lago Del Oro Water Company
Discounted Cash Flow Analysis
DCF Constant Growth

Exhibit
Rebuttal Schedule D-4.8
Witness: Bourassa

Line No.	[1]	[2]	[3]	[4]
	Dividend Yield $(D_0/P_0)^1$	Expected Dividend Yield $(D_1/P_0)^2$	Growth (g)	Indicated Cost of Equity $k = \text{Div Yld} + g$ (Cols 2+3)
8	DCF - Past and Future Growth	3.01%	5.55% ³	8.7%
10	DCF - Future Growth	3.01%	6.07% ⁴	9.3%
13	Average	3.01%	5.81%	9.0%
15	Median	3.01%	5.81%	9.0%

¹ Spot Dividend Yield = D_0/P_0 . See Rebuttal Schedule D-4.7.

² Expected Dividend Yield = $D_1/P_0 = D_0/P_0 * (1+g)$.

³ Growth rate (g). Average of Past and Future Growth. See Rebuttal Schedule D-4.4, column 7

⁴ Growth rate (g). Average of Analyst Estimates Future Growth. See Rebuttal Schedule D-4.6.

Line
No.

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Lago Del Oro Water Company
Market Betas

Exhibit
Rebuttal Schedule D-4.9
Witness: Bourassa

Company	Beta (B) ¹
1. American States	0.65
2. Aqua America	0.60
3. California Water	0.60
4. Connecticut Water	0.75
5. Middlesex	0.75
6. SJW Corp.	0.85
Average	0.70

¹ Value Line Investment Analyzer data (February 7, 2014)

Note: Beta is a relative measure of the historical sensitivity of a stock's price to overall fluctuations in the New York Stock Exchange Composite Index. A Beta of 1.50 indicates a stock tends to rise (or fall) 50% more than the New York Stock Exchange Composite Index. The "Beta coefficient" is derived from a regression analysis of the relationship between weekly percent-age changes in the price of a stock and weekly percentage changes in the NYSE Index over a period of five years. In the case of shorter price histories, a smaller time period is used, but two years is the minimum. The Betas are adjusted for their long-term tendency to converge toward 1.00.

Lago Del Oro Water Company
Forecasts of Long-Term Interest Rates

Exhibit
Rebuttal Schedule D-4.10
Witness: Bourassa

Line No.	Description	Fed Reserve Average Jan 14	2015	2016	Average
1					
2					
3					
4					
5					
6	Blue Chip Consensus Forecasts ¹	3.77%	4.30%	4.40%	4.20%
7					
8	Value Line ²	3.77%	4.30%	4.70%	4.30%
9					
10	Average				4.25%
11					
12					
13					
14					
15					
16					
17					
18					
19					
20					
21					
22					
23					
24					

¹ Dec 2013 Blue Chip Financial Forecasts consensus long-term forecast of 30 Year U.S. Treasury

² Value Line Quarterly forecast, dated Nov 22, 2013, Long-term Treasury

Exhibit
Rebuttal Schedule D-4.11
Witness: Bourassa

Lago Del Oro Water Company
Computation of Current Market Risk Premium

Line No.	Month	Dividend Yield (D_t/P_0) ¹	Expected Dividend Yield (D_t/P_0) ²	Growth (g) ³	Expected Market Return (k)	Monthly Average 30 Year Treasury Rate ⁴	Market Risk Premium (MRP)
1							
2							
3							
4	Dec 2011	2.27%	2.60%	+ 14.52%	= 17.12%	= 2.98%	= 14.14%
5	Jan 2012	2.19%	2.45%	+ 11.76%	= 14.21%	= 3.03%	= 11.18%
6	Feb	2.18%	2.46%	+ 12.82%	= 15.28%	= 3.11%	= 12.17%
7	Mar	2.24%	2.54%	+ 13.51%	= 16.05%	= 3.28%	= 12.77%
8	April	2.19%	2.47%	+ 12.99%	= 15.46%	= 3.18%	= 12.28%
9	May	2.41%	2.78%	+ 15.26%	= 18.04%	= 2.93%	= 15.11%
10	June	2.37%	2.70%	+ 14.02%	= 16.72%	= 2.70%	= 14.02%
11	July	2.45%	2.82%	+ 15.18%	= 18.00%	= 2.59%	= 15.41%
12	Aug	2.35%	2.67%	+ 13.51%	= 16.18%	= 2.77%	= 13.41%
13	Sept	2.29%	2.57%	+ 12.29%	= 14.86%	= 2.88%	= 11.98%
14	Oct	2.36%	2.67%	+ 13.16%	= 15.83%	= 2.90%	= 12.93%
15	Nov	2.31%	2.59%	+ 12.29%	= 14.88%	= 2.80%	= 12.08%
16	Dec 2012	2.22%	2.45%	+ 10.48%	= 12.93%	= 2.88%	= 10.05%
17	Jan 2013	2.16%	2.37%	+ 9.92%	= 12.29%	= 3.08%	= 9.21%
18	Feb	2.24%	2.49%	+ 11.22%	= 13.71%	= 3.17%	= 10.54%
19	Mar	2.17%	2.39%	+ 9.92%	= 12.31%	= 3.16%	= 9.15%
20	April	2.11%	2.31%	+ 9.44%	= 11.75%	= 2.93%	= 8.82%
21	May	2.07%	2.26%	+ 8.97%	= 11.22%	= 3.11%	= 8.11%
22	June	2.14%	2.35%	+ 9.73%	= 12.08%	= 3.40%	= 8.68%
23	July	2.02%	2.18%	+ 7.79%	= 9.97%	= 3.61%	= 6.36%
24	Aug	2.14%	2.33%	+ 8.97%	= 11.30%	= 3.76%	= 7.54%
25	Sept	2.10%	2.27%	+ 8.00%	= 10.27%	= 3.79%	= 6.48%
26	Oct	2.00%	2.14%	+ 7.19%	= 9.33%	= 3.68%	= 5.65%
27	Nov	1.99%	2.13%	+ 6.98%	= 9.11%	= 3.80%	= 5.31%
28	Dec 2013	1.93%	2.05%	+ 6.16%	= 8.21%	= 3.89%	= 4.32%
29	Jan 2014	2.01%	2.15%	+ 6.78%	= 8.93%	= 3.77%	= 5.16%
30							
31							
32	Recommended	2.03%	2.18%	+ 7.35%	= 9.52%	= 3.78%	= 5.74%
33							
34	<u>Short-term Trends</u>						
35	Recent Twelve Months Avg	2.08%	2.25%	+ 8.43%	= 10.68%	= 3.51%	= 7.18%
36	Recent Nine Months Avg	2.04%	2.21%	+ 7.84%	= 10.05%	= 3.65%	= 6.40%
37	Recent Six Months Avg	2.03%	2.18%	+ 7.35%	= 9.52%	= 3.78%	= 5.74%
38	Recent Three Months Avg	1.98%	2.11%	+ 6.64%	= 8.75%	= 3.82%	= 4.93%
39							
40							

¹ Median Current Dividend Yield (D_t/P_0) of dividend paying stocks. Data from Value Line Investment Analyzer Software Data - Value Line 1700 Stocks

² Expected Dividend Yield (D_t/P_0) equals average current dividend yield (D_t/P_0) times one plus growth rate (g).

³ Median 3-5 year price appreciation (annualized). Data from Value Line Investment Analyzer Software Data - Value Line 1700 Stocks

⁴ Monthly average 30 year U.S. Treasury. Federal Reserve.

**Lago Del Oro Water Company
Traditional Capital Asset Pricing Model (CAPM)**

**Exhibit
Rebuttal Schedule D-4.12
Witness: Bourassa**

Line No.	Rf ¹	+	beta ²	x	RP _M	+	=	k
1								
2								
3	4.25%	+	0.70	x	6.70% ³	+	=	8.9%
4								
5	4.25%	+	0.70	x	5.74% ⁴	+	=	8.3%
6								
7	Average							
8								8.6%
9	Median							
10								8.6%
11								

¹ Forecasts of long-term treasury yields. See Rebuttal Schedule D-4.10.

² Value Line Investment Analyzer data. See Rebuttal Schedule D-4.9.

³ Historical Market Risk Premium from (Rp) MorningStar S&P 500 2013 Valuation Yearbook Table A-1 Long-Horizon ERP 1926-2012.

⁴ Computed using DCF constant growth method to determine current market return on Value Line 1700 stocks and CAPM with beta of 1.0 to compute Current Market Risk Premium (Rp). See Rebuttal Schedule D-4.11.

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Lago Del Oro Water Company
COST OF EQUITY (COE) USING RISK PREMIUM BUILD-UP METHOD
 Based on *Duff and Phelps Risk Premium Study Data*

Exhibit
 Rebuttal Schedule D.4.13
 Witness: Bourassa

Company	Measures of size (Millions)					
	MV Equity ¹	Book Equity ¹	MVIC ¹	5 Yr Avg. Net Income	Total Assets ²	5 Yr Avg. EBITDA ³
American States	\$ 1,084	\$ 454	\$ 1,417	\$ 37	\$ 1,281	\$ 130
Aqua America	\$ 4,150	\$ 1,386	\$ 5,694	\$ 133	\$ 4,859	\$ 422
California Water	\$ 939	\$ 474	\$ 1,373	\$ 41	\$ 1,996	\$ 140
Connecticut Water	\$ 371	\$ 185	\$ 550	\$ 11	\$ 579	\$ 24
Middlesex	\$ 328	\$ 181	\$ 459	\$ 13	\$ 562	\$ 38
SJW Corp.	\$ 526	\$ 275	\$ 862	\$ 21	\$ 1,087	\$ 89
Lago Del Oro Water Company	NA	\$ 9.5	NA	\$ 0.1	\$ 11.1	\$ 0.4

¹ From Zacks Investment Research data

² From Zacks Investment Research. From E-1 for subject utility.

³ Net Income. From Zacks Investment Research and Company ACC reports

Net Income Data (\$ millions)

Company	2012	2011	2010	2009	2008	Average
American States	\$ 54.0	\$ 45.9	\$ 33.2	\$ 29.5	\$ 22.0	\$ 36.9
Aqua America	\$ 197.0	\$ 143.1	\$ 124.0	\$ 104.4	\$ 97.9	\$ 133.3
California Water	\$ 49.0	\$ 37.7	\$ 37.7	\$ 40.6	\$ 39.8	\$ 40.9
Connecticut Water	\$ 14.0	\$ 11.3	\$ 9.8	\$ 10.2	\$ 9.4	\$ 10.9
Middlesex	\$ 14.0	\$ 13.4	\$ 14.3	\$ 10.0	\$ 12.2	\$ 12.8
SJW Corp.	\$ 22.0	\$ 20.9	\$ 24.4	\$ 15.2	\$ 21.5	\$ 20.8
Lago Del Oro Water Company	\$ (0.0)	\$ 0.1	\$ 0.1	\$ 0.2	\$ 0.1	\$ 0.1

Net Income data for publicly traded water utilities from Zacks Investment Research and/or Yahoo Finance

⁴ Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA). From Zacks Investment Research and Company ACC reports.

EBITDA Data (\$ millions)

Company	2012	2011	2010	2009	2008	Average
American States	\$ 154.0	\$ 133.3	\$ 134.4	\$ 122.6	\$ 105.9	\$ 130.0
Aqua America	\$ 439.0	\$ 397.8	\$ 473.2	\$ 415.2	\$ 384.7	\$ 422.0
California Water	\$ 151.0	\$ 143.3	\$ 155.7	\$ 125.5	\$ 122.1	\$ 139.5
Connecticut Water	\$ 30.0	\$ 24.2	\$ 22.5	\$ 20.3	\$ 21.1	\$ 23.6
Middlesex	\$ 39.0	\$ 34.6	\$ 43.3	\$ 34.6	\$ 38.6	\$ 38.0
SJW Corp.	\$ 90.0	\$ 87.1	\$ 75.4	\$ 93.5	\$ 99.7	\$ 89.1
Lago Del Oro Water Company	\$ (0.1)	\$ 0.2	\$ 0.2	\$ 1.0	\$ 0.9	\$ 0.4

EBITDA data for publicly traded water utilities from Zacks Investment Research and/or Yahoo Finance

EBITDA data for subject utility from E-1 and/or ACC reports

Lago Del Oro Water Company
COST OF EQUITY (COE) USING RISK PREMIUM BUILD-UP METHOD
 Based on *Duff and Phelps Risk Premium Study Data*

MRP_{unlevered} Estimates Using Duff & Phelps Study (Unlevered)

Assumes 100% Equity and 0% debt

Data Smoothing with Regression Analysis

*Smoothed Premium (RP_{unlevered}) = Constant + X Coefficients * Log(Relevant Metric)*

$$RP_{unlevered} = RP_{unlevered} - W_d/W_e (\beta_U - \beta_d) RP_{market}$$

Where β_U = unlevered portfolio beta

β_d = debt beta, assumed to be 0.1

W_d = percentage of debt in capital structure

W_e = percentage of equity in capital structure

$RP_{unlevered}$ = levered realized risk premium

Constant
 X Coefficient(s)

Company

Symbol
 AWR
 WTR
 CWT
 CTWS
 MSEX
 SJW

1. American States
2. Aqua America
3. California Water
4. Connecticut Water
5. Middlesex
6. SJW Corp.

Average (unlevered)

Lago Del Oro Water Company

Exhibit
 Rebuttal Schedule D.4.14
 Witness: Bourassa

MV Equity (Table C-1)	Book Equity (Table C-2)	MVIC (Table C-4)	5 Yr Avg. Net Income (Table C-3)	Total Assets (Table C-5)	5 Yr Avg. EBITDA (Table C-6)
18.448%	15.453%	18.701%	13.312%	17.363%	14.836%
-3.193%	-2.533%	-3.173%	-2.600%	-2.793%	-2.717%

MRP_{unlevered}

MV Equity	Book Equity	MVIC	5 Yr Avg. Net Income	Total Assets	5 Yr Avg. EBITDA	Average
8.76%	8.72%	8.70%	9.24%	8.68%	9.09%	8.87%
6.90%	7.50%	6.79%	7.79%	7.07%	7.70%	7.29%
8.96%	8.68%	8.74%	9.12%	8.15%	9.01%	8.78%
10.24%	9.71%	10.01%	10.61%	9.65%	11.11%	10.22%
10.42%	9.73%	10.25%	10.43%	9.68%	10.54%	10.18%
9.76%	9.27%	9.39%	9.89%	8.88%	9.54%	9.45%
9.17%	8.94%	8.98%	9.51%	8.68%	9.50%	9.13%
NA	12.98%	NA	15.87%	14.44%	15.80%	14.77%

	Company	Symbol	Unlevered Portfolio Beta (β_u)						
			(Table C-1)	(Table C-2)	(Table C-3)	(Table C-5)	(Table C-6)	Average	
1.	American States	AWR	0.94	0.96	0.95	0.97	0.95	0.95	
2.	Aqua America	WTR	0.87	0.89	0.86	0.83	0.82	0.86	
3.	California Water	CWT	0.98	0.96	0.95	0.94	0.96	0.96	
4.	Connecticut Water	CTWS	0.96	0.98	0.97	0.99	1.03	0.98	
5.	Middlesex	MSEX	0.96	1.00	0.98	0.99	0.99	0.98	
6.	SJW Corp.	SJW	0.98	0.98	0.98	0.99	0.95	0.98	
	Average		0.95	0.96	0.95	0.95	0.95	0.95	
	Lago Del Oro Water Company		NA	0.98	NA	1.01	1.05	1.03	
								1.02	

Lago Del Oro Water Company
 COST OF EQUITY (COE) USING RISK PREMIUM BUILD-UP METHOD
 Based on *Duff and Phelps* Risk Premium Study Data

MRP Estimates Using Duff & Phelps Study (Relevered)

Relevered Realized Risk Premium

$$RP_{\text{relevered}} = RP_{\text{unlevered}} + W_d/W_e \cdot (\beta_e - \beta_d) \cdot RP_{\text{market}}$$

Where β_d = unlevered portfolio beta

β_d = debt beta, assumed to be 0.1

W_d = percentage of debt in capital structure

W_e = percentage of equity in capital structure

$RP_{\text{unlevered}}$ = unlevered realized risk premium from Table 2

RP_{market} = general equity risk premium for the market since 1963.

Exhibit
 Rebuttal Schedule D.4.16
 Witness: Bourassa

	Company	Symbol	MRP _{mts} (Relevered)							Average
			W _d /W _e	MV Equity	Book Equity	MVIC	5 Yr Avg. Net Income	Total Assets	5 Yr Avg. EBITDA	
1.	American States	AWR	30.7%	9.92%	9.91%	9.88%	10.41%	9.88%	10.27%	10.04%
2.	Aqua America	WTR	37.2%	8.18%	8.82%	8.06%	9.09%	8.29%	8.91%	8.56%
3.	California Water	CWT	46.3%	10.79%	10.47%	10.51%	10.89%	9.89%	10.80%	10.56%
4.	Connecticut Water	CTWS	48.1%	12.10%	11.62%	11.89%	12.49%	11.57%	13.12%	12.13%
5.	Middlesex	MSEX	40.1%	11.97%	11.36%	11.84%	12.00%	11.29%	12.15%	11.77%
6.	SJW Corp.	SJW	63.7%	12.28%	11.80%	11.91%	12.44%	11.38%	11.98%	11.96%
	Average MRP (Relevered)		44.35%	10.87%	10.66%	10.68%	11.22%	10.38%	11.20%	10.84%
	Lago Del Oro Water Company		12.18%	NA	13.46%	NA	16.36%	14.96%	16.31%	15.27%

Lago Del Oro Water Company
COST OF EQUITY (COE) USING RISK PREMIUM BUILD-UP METHOD
 Based on *Duff and Phelps* Risk Premium Study Data

Exhibit
 Rebuttal Schedule D.4.17
 Witness: Bourassa

Equity Risk Premium Adjustment and Other metrics used in Build-up Method

[1] Estimate of Current Market Risk Premium (RP_{market})	5.00%	<<<< Current Duff and Phelps recommendation
[2] Risk Premium Assumed in Duff & Phelps Study (1963-2012) ¹	4.50%	
[3] Equity Risk Premium Adjustment ([1] - [2])	0.50%	
[4] Average MRP (levered) for publicly traded water companies (from Rebuttal Schedule D-4.16)	10.84%	
[5] MRP (levered) for publicly traded water companies (RP_{m+*}) ([3] + [4])	11.34%	
[6] Equity Risk Premium Adjustment ([3])	0.50%	
[7] Average MRP (levered) for subject utility company (from Table 4)	15.27%	
[8] MRP (levered) for subject utility company (RP_{m+*}) ([6] + [7])	15.77%	
[9] Industry Risk Premium (From <i>Ibbotson</i> for SIC 494 Water Supply Industry Table 3-5)	-4.92%	
[10] Adjustment Factor to Industry Risk Premium ([2] / 6.7%) ¹	0.7463	
[11] Adjusted Industry Risk Premium (R_i) ([9] x [10])	-3.67%	
[12] Risk Free Rate (R_f) ²	3.42%	

¹ From Duff and Phelps Risk Premium Report 2013.

² Yield on 20 Yr U.S. Treasury Feb 6, 2014 (Federal Reserve)

Lago Del Oro Water Company
COST OF EQUITY (COE) USING RISK PREMIUM BUILD-UP METHOD
 Based on *Duff and Phelps* Risk Premium Study Data

Cost of Equity (COE) Estimate using Build-up Method

$$E(R_i) = R_f + RP_{m+s} + RP_i + RP_u$$

Where:

$E(R_i)$ = Expected (indicated) rate of return

R_f = Risk-free rate of return. See Rebuttal Schedule D-4.17.

RP_{m+s} = Market risk premium including size premium. See Rebuttal Schedule D-4.16.

RP_i = Industry risk premium (adjusted). See Rebuttal Schedule D-4.17.

RP_u = Company-specific risk premium

Sample
 Publicly Traded

Water

Utilities
 Lago Del Oro Water Company

R_f = 3.42%

RP_{m+s} = See Sched. D-4.16

RP_i = -3.67%

RP_u = 0.00%

Indicated COE $E(R_i)$

	Company	Symbol	MV Equity	Book Equity	MVIC	5 Yr Avg. Net Income	Total Assets	5 Yr Avg. EBITDA	Average
1.	American States	AWR	10.16%	10.16%	10.12%	10.66%	10.13%	10.51%	10.29%
2.	Aqua America	WTR	8.43%	9.07%	8.31%	9.34%	8.54%	9.16%	8.81%
3.	California Water	CWT	11.04%	10.72%	10.76%	11.14%	10.14%	11.05%	10.81%
4.	Connecticut Water	CTWS	12.35%	11.86%	12.14%	12.74%	11.82%	13.37%	12.38%
5.	Middlesex	MSEX	12.22%	11.60%	12.09%	12.25%	11.54%	12.40%	12.02%
6.	SJW Corp.	SJW	12.53%	12.05%	12.16%	12.69%	11.63%	12.22%	12.21%
	Average COE estimate		11.12%	10.91%	10.93%	11.47%	10.63%	11.45%	11.09%
	Median COE Estimate		11.63%	11.16%	11.43%	11.70%	10.84%	11.64%	11.41%
	Lago Del Oro Water Company		NA	13.71%	NA	16.61%	15.21%	16.56%	15.52%